

**The 2015-16**

**NHS BOARD ACCOUNTS MANUAL**

**for**

**DIRECTORS' REPORT AND ACCOUNTS**

**of NHS BOARDS**

**and for**

**SCOTTISH FINANCIAL RETURNS**

|

Prepared by: Technical Accounting Group – Annual Accounts sub-group|

Issued by: Scottish Government Health and Social Care Directorates

**NHS BOARD DIRECTORS' REPORT AND ACCOUNTS**

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**INTRODUCTION**

**TO THE**

**NHS BOARD ACCOUNTS MANUAL**

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## FOREWORD

### 1. Introduction

The Financial Reporting Manual (FReM) is the technical accounting guide for the handling of public funds. It is prepared following consultation with the Financial Reporting Advisory Board and is issued by the relevant authorities in England and Wales, Scotland and Northern Ireland. In addition the Scottish Public Finance Manual is published by the Scottish Government which sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

This Annual Accounts manual is intended to complement the guidance contained in the FReM and assist Boards in the preparation of their annual accounts. This manual of accounts does not supersede the requirements of the FReM.

### 2. Annual Report

The requirement to prepare and publish an annual report by 31 October does not exempt NHS Boards from complying with the requirements for a comprehensive review of the year's activities, including performance against targets, in the directors' report and annual accounts. Guidance on the content and presentation of the 'glossy' annual report is contained in the letter to Chief Executives from Kevin Woods issued on 15/10/07.

### 3. Preparation of Accounts for the NHSScotland

The National Health Service in Scotland (NHSScotland) is principally organised into: 14 Unified Health Boards; National Services Scotland; the State Hospitals Board; NHS Health Scotland; the Mental Welfare Commission; the Scottish Ambulance Service Board, NHS24, NHS Education for Scotland, the National Waiting Times Centre and Healthcare Improvement Scotland. Each of these is a self-accounting body reporting to the Scottish Government Health and Social Care Directorates (SGHSCD), who are responsible for the administration of government finance for NHSScotland.

The Scottish Government consolidated Resource Accounts incorporate the consolidation of NHSScotland accounts and require that they are prepared using consistent accounting policies. Therefore any proposed changes to Board accounting policies should be referred to Scottish Government Health Finance for approval to ensure consistency across NHS Scotland.

The template for accounts and SFRs is laid out in the Excel workbook issued with this Manual, which should be completed for submission to Scottish Government Health Finance.

Boards may use this template to present their published Annual Accounts, as these should adopt the same format in terms of the primary forms and notes required. Special Health Boards may, however, be required to alter some of the notes relating to analysis of expenditure to suit their own requirements, although they are still required to show the analysis of administration expenditure defined.

### 4. NHS Annual Accounts

The NHS Accounts Manual incorporates the Scottish Government's guidance on the application of the FReM to be followed in preparing Annual Accounts. The Scottish Ministers' formal instructions to Boards on the completion of their Accounts are contained in the NHS Boards' Accounts Directions, which were issued to them in February 2006. The Accounts Directions specify that the accounts are prepared in accordance with the FReM.

The NHS Accounts Manual will be updated as necessary to take account of any future changes to the format of the accounts, or to the terms of the explanatory notes, which are required (or have been approved) by the Scottish Government Health and Social Care Directorate (SGHSCD). The Manual should be used by NHS bodies to specify the information that should be derived from their financial systems.

## 5. Accounts Direction

**Boards should include a signed copy of the most recent Accounts Direction as issued by Alex Smith, Interim Director of Finance on 10/02/06.**

## 6. Enquiries

Please contact Alan Morrison, Financial Planning Manager, SGHSCD if you have any queries on the content of the manual. 0131 244 2363; email: <mailto:Alan.Morrison@scotland.gsi.gov.uk>

## SUBMISSION OF NHS BOARD DIRECTORS' REPORT AND ACCOUNTS

Under the Public Finance and Accountability (Scotland) 2000 Act, there is a requirement for the Resource account of the Scottish Government to be presented to the Auditor General within 6 months of the year end, i.e. 30<sup>th</sup> September.

**NHS boards are required to have their audited accounts and Annual Accounts template submitted to the SGHSCD NO LATER than 30 June following the year-end.**

A signed copy of the annual accounts will be submitted to SGHSCD directly by the external Auditor along with the template and associated audit certificate.

Boards should also provide four signed copies to SGHSCD along with an electronic pdf file which will be sent to Parliament for laying. Boards should agree locally with their auditors how many copies are required for other relevant parties.

It is important that a timetable is agreed with the external auditors for the production of draft accounts. Boards are required submit copies of their draft accounts directly to SGHSCD as soon as they are available to external auditors, no later than Friday 31 May. This will allow SGHSCD to begin preparatory work on the consolidated NHS accounts and to identify any issues that may require discussion with Boards.

## ANNUAL ACCOUNTS AND NOTES FOR YEAR ENDED 31 MARCH

### DIRECTORS' REPORT

#### DIRECTORS' REPORT

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

**1. Naming Convention**

XXX NHS Board is the common name for XXX Health Board.

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

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

**3. Date of Issue**

Financial statements were approved and authorised for issue by the Board on [date].

**4. Accounting convention**

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, intangible assets, inventories, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit and loss. The Accounts have been prepared under a direction issued by Scottish Ministers which should be included as an annex to the accounts.

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

**5. Appointment of auditors**

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed [insert name of firm or relevant employee in Audit Scotland; e.g. 'PricewaterhouseCoopers' or 'Name, Assistant Director of Audit (Health) Audit Scotland'] to undertake the audit of [name of health body]. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

**6. Board membership**

Under the terms of the Scottish Health Plan, the 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.



[Include the names and positions of the board members who, at any time during the financial year were directors. An indication of changes in board members since the end of the financial year and appointments/resignations occurring during the financial year should be provided]

The board members' responsibilities in relation to the accounts are set out in a statement following this report.

## **7. Board members' and senior managers' interests**

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

[Include details of company directorships or other significant interests held by Board members which may conflict with their management responsibilities. Where a register of interests that is open to the public is maintained, disclosure may be limited to how to access the information in that Register]

## **8. Directors' third party indemnity provisions**

The directors' report needs to include a statement if a 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.

## **9. Pension Liabilities**

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

## **10. 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.

## **11. Value of Land**

Disclosure should be made where the difference between the market value and the balance sheet value of land is significant.

## **12. Public Services Reform (Scotland) Act 2010**

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

Boards should disclose in the Directors' Report how the requirements of the Public Services Reform (Scotland) Act 2010 have been met, most likely by providing a link to the required information on the Board's website or other publication.

## **13. 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 20xx/xx average credit taken was [ x ]days.

- In 20xx/xx the board paid [ x.x ]% by value and [ x.x ]% by volume within 30 days.
- In 20xx/xx the board paid [ x.x ]% by value and [ x.x ]% by volume within 10 days.

Prior year comparator figures should also be included.

[The calculations should relate only to non-NHS suppliers]

#### **14. Corporate governance**

The board meets regularly during the year to progress the business of the Health board. The following standing committees should exist at unified NHS Board level:

- Clinical governance
- Audit
- Staff Governance
- Ethics
- Discipline (for primary care contractors) and
- Public Patient Involvement

For each committee there should be a short summary which includes:

- the principle function of the committee;
- the membership of the committee;
- who the chair is; and
- how often the committee meets.

#### **15. Disclosure of Information to Auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Board's auditors are unaware; and each director has taken all the steps that 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.

#### **16. Human resources**

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

The Health board provides employees with information on matters of concern to them as employees by [insert details of procedures] and consults employees or their representatives so their views are taken into account in decisions affecting their interests by [insert details of the process].

#### **17. Events after the end of the reporting period**

[The directors' report must include details of any important events affecting the Board since the year end.]

## **18. Financial instruments**

Information in respect of the financial risk management objectives and policies of the Board and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in note 27.

## **19. Approval and signing of the directors' report**

The Accounting Officer or Chief Executive shall sign and date the directors' report.

Boards are reminded that, in compliance with section 5.4.24(b) of the FReM, the date of authorisation for issue must be included in the Annual Report and Accounts, but **not** on the title page. Per the FReM, the statement should read:

"The Accounting Officer authorised these financial statements for issue on [*insert* date of issue]."

**OPERATING AND FINANCIAL REVIEW**

NHS Health Boards are required to prepare an Operating and Financial Review as per the Financial Reporting Manual (FReM). The content should include a balanced and comprehensive analysis of:

- the development and performance of the business of the entity during the financial year;
- the position of the entity at the year end;
- the main trends and factors underlying the development, performance and position of the business of the entity during the financial year; and
- the main trends and factors that are likely to affect the entity's future development, performance and position.

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

The NHS board was established in [1974/xx] under [the National Health Service (Scotland) Act 1974 / alternative statutory authority] and is responsible for commissioning health care services for the residents of [describe geographical area], a total population of [insert number]

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

The role of the unified NHS Board is to:

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

The functions of the unified NHS Board comprise:

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

[Provide brief details of developments and service changes which should include Community Health Partnerships].

[NHS Boards should specify the potential and likely levels of FHS income not recovered that are highlighted in reports from Counter Fraud Services. This should give details of the nature of the income and the reasons for the likely non recovery.]

**2. Financial Performance and Position****[Required Disclosure]**

	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (Over)/Under £'000
	(1)	(2)	(3)
1 Core Revenue Resource Limit	X	X	x
Non Core Revenue Resource Limit	X	X	X
2 Core Capital Resource Limit	X	X	X
Non Core Capital Resource Limit	X	X	X
3 Cash Requirement	X	X	x

**MEMORANDUM FOR IN YEAR OUTTURN**

£'000

Brought forward deficit/(surplus) from previous financial year  
 Saving/(excess) against in year total Revenue Resource Limit

X  
X

[Health boards should provide details of future programs of activity where significant underspends/carry forwards are reported. If the Board has received additional funding the reasons for the advance, the amount received and the period over which the advance is to be returned should be reported here.]

[Disclosure only required in respect of Boards with balance sheets that show negative net assets.]

Under these accounting arrangements Health Boards must show liabilities for future years in their accounts without showing funding anticipated from the SGHSCD. This has resulted in net liabilities on the Balance Sheet. The balance sheet reflects liabilities falling due in future years that are expected to be met by the receipt of funding from the Scottish Government. Accordingly the accounts have been prepared on the going concern basis.]

Provisions for impairment of receivables  
 [Provide details of provisions and movements]

Outstanding liabilities  
 [Provide details of financial position and forecast]

Significant remote contingent liabilities  
 [Provide details of the Board's significant remote contingent liabilities, that is, those that are disclosed under Parliamentary reporting requirements and not IAS 37. The commentary should enable the reader to understand the nature and what steps the department is taking to minimise the risk of their crystallising]

Legal obligations  
 [Provide details of legal obligations at balance sheet date and on-going cases]

Prior year adjustments  
 [Provide details of any prior year adjustments and impact on current year figures.]

Significant changes in non current assets

[Provide details of any material additions, disposals or impairment, etc.]

Private Finance Initiative/Public Private Partnerships

[Provide details of any PFI/PPP projects which impact on the financial statements in the accounts. Details should include a brief description of the scheme, the estimated contract value and the start and end dates of the contract. Boards should also give details of PFI/PPP deals which are likely to reach financial close in the following year.]

Post-Balance Sheet items

[Provide details of items disclosed in the accounts]

Sickness absence data

[Publish sickness absence data]

Personal data related incidents

[Personal data related incidents should be published.]

### **3. Performance against Key Non Financial Targets**

[Provide details of performance against other key non financial performance indicators. The number and nature of Key Performance Targets disclosed is a matter for directors to decide but should be related to those agreed with the SGHSCD and those featured in Audit Scotland's [Priorities and Risks Framework](#).

### **4. Sustainability and Environmental Reporting**

As part of its sustainable development strategy the Government encourages both companies and public bodies to disclose their sustainability and environmental performance via their Directors' reports and accounts.

[The [Sustainability and Environmental Reporting](#) section of the FReM provides examples of good practice and sources of further information on sustainability and environmental reporting from the private and public sector.

The Scottish Government also recently issued [guidance](#) to assist Scottish public bodies to report on sustainability alongside their Annual Reports and Accounts commencing with the 2012-13 financial year. The guidance encourages bodies to publish sustainability reports *alongside* their Annual Reports and Accounts and therefore it is not expected that sustainability reporting contained within the Annual Reports and Accounts will be significantly different from the previous year. Health Boards though are encouraged to develop their own sustainability and environmental reporting from these examples and publish them separately.]

**REMUNERATION REPORT****BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION****General**

This is for the disclosure of the levels of remuneration of Board Members and other Senior Employees, reflecting the Treasury's interpretation of how Greenbury applies to the public sector. The report is split into three distinct parts as follows:

- (i) Executive Board Members Remuneration
- (ii) Non Executive Board Members Remuneration
- (iii) Senior Employees Remuneration

**Definition of Senior Employees – as applied to (iii) above.**

**'the management board (including advisory and non-executive members) having authority or responsibility for directing or controlling the major activities of the entity during the year. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or sections with the reporting entity.'** (definition of 'key management' used in IAS 24 *Related Party Transactions* as interpreted by the FReM paragraph 5.2.6(d)).

Such a definition includes, for example, members of the Board – although the status of the individual is the most significant criterion.

There is no suggestion that the information should be provided for all employees above a certain grade or earning above a certain salary.

It is for each Board to determine the individuals for whom disclosure should be made.

The Chief Executive is required to confirm whether this covers more than the Executive and Non Executive Directors of the Board.

For the rest of this Note, the term Director is used to mean Senior Employees as defined above.

**Data Protection Act**

In order to comply with the Data Protection Act 1998 employers are required to obtain the prior consent of the individuals concerned before personal data such as that on salaries and pensions can be disclosed.

Boards should consult the individuals whose data they would wish to disclose and seek to obtain their consent to do so (where consent has not already been given) before disclosing that data. The individual must be free to withhold consent, however where an individual relies on the Data Protection Act 1998 and withholds his/her consent then the words 'consent to disclosure withheld' should be disclosed against the name(s) of the appropriate individual(s) in the table

Consent can be obtained once for all future accounting periods in which the employee is employed by the Board. In view of the importance attached to full disclosure, employers should ensure that it is made clear to individuals moving to posts for which disclosures are required, before they take up such posts, that the post has been designated as one where disclosure of salary and pension details is required.

If consent is withheld by any of the individuals concerned, the format of the note should remain the same, but the words 'consent to disclose withheld' should be noted against **each** item for each individual who has not granted consent to disclose. This can be done either by writing across the whole row, where no consent has been given for any

information to be published, or by inserting an asterisk under the particular heading with a footnote to describe that consent has been withheld.

NHS bodies are free to insert any other general information they feel is relevant as a footnote, e.g. to explain that the pension entitlement figures reported exclude any additional service bought by any of the individuals.

### **Important Reminder**

Non disclosure is possible if the individual can object that publication would, under the Data Protection Act, prejudice their rights, freedoms or legitimate interests, or that it would or be likely to cause unwarranted substantial damage or distress to themselves or another. If an individual raises such an objection you must consider whether to accept it. You are strongly advised to take legal advice in such a case, because if you decide not to publish this may be challenged under the Freedom of Information Act.

### **Disclosure Requirements.**

The following information will be provided and signed by the Chief Executive as Accountable Officer;

*The following items while not subject to audit, should nevertheless be considered by auditors in terms of whether they are consistent with the audited accounts (though not covered by the consistency opinion):*

- Details of the membership of the Remuneration Committee.
- Statement of the policy on the remuneration of senior managers for current and future financial years. In most cases, it will be sufficient to refer to the work and recommendations of the Senior Salaries Review Body.
- Explanations and justification of any departure from policy in the year and any changes in the policy from the proceeding year.
- Explanation of the methods used to assess whether performance conditions were met and why those methods were chosen. If relevant, why methods involved comparison with outside organisations.
- Explanation of relative importance of the relevant proportions of remuneration which are, and which are not, subject to performance conditions.
- Summary and explanation of policy on duration of contracts, and notice periods and termination payments.
- Details of the service contract for each senior manager who has served during the year:
  - date of the contract, the unexpired term, and details of the notice period;
  - provision for compensation for early termination; and
  - other details
- Explanation of any significant awards made to past senior managers.

*The following items are subject to audit;*



- For each senior manager who served during the year show, in tabular form:
  - salary and allowances, with performance pay or bonuses payable disclosed separately;
  - if a payment for compensation on early retirement or for loss of office paid or receivable has been made under the terms of an approved Compensation Scheme, the fact that such a payment has been made (including a description of the compensation payment and details of the total amounts paid);
  - estimated value of non-cash benefits (benefits in kind) (to the nearest £100), together with the total of the above for both this and the previous year.
- Details of any element of the remuneration package which is not cash.
- For each senior manager who has served during the year:
  - the real increase during the reporting year in the pension and (if applicable) related lump sum at pensionable age in bands of £2,500;
  - the value at the end of the reporting year of the accrued pension and (if applicable) related lump sum at pensionable age in bands of £5,000;
  - the value of the cash equivalent transfer value at the beginning of the reporting year to the nearest £1,000;
  - the real increase in the cash equivalent transfer value during the reporting year, to the nearest £1,000;
  - where the senior manager has a partnership pension account, the employer's contribution to the partnership pension account. (In these circumstances, the disclosures in the first four bullets will not apply.)
  - the value of the cash equivalent transfer value at the end of the reporting year to the nearest £1,000.
- Details of compensation payments payable to former senior managers.
- Details of amounts payable to third parties for services of a senior manager.

### **Directors - Remuneration**

In line with current best practice for public quoted companies, disclosure of directors' remuneration and allowances should be given separately for each named individual director in bands of £5,000. The figures relate to all those individuals who hold or have held office as a director of the Board during the reporting year. It is irrelevant that the individual was not substantively appointed (holding office is sufficient, irrespective of defects in appointment); or an individual's title as director included a prefix such as 'temporary' or 'alternate'; or an individual was engaged via a corporate body, such as an agency, and payments were made to that corporate body rather than to the individual directly.

#### **Name and Title**

The name and title of each director should be disclosed.

#### **Remuneration**

The amounts paid or payable by the Board in respect of the period the director held office must be shown. Where an individual held a contract of employment for the entire financial year but was only a director for six months only the remuneration for the six months as director should be shown. Where there has been an overlap in a post, e.g. where there have been two finance directors for a month, both must be shown.

**Remuneration is defined as:**

- All amounts paid or payable by the Board including recharges from any other health body;
- The gross cost of any arrangement whereby a director receives a net amount and a Board pays income tax on their behalf;
- Any financial loss allowances paid in place of remuneration;
- Employer's superannuation contribution and any other pension contributions;
- Geographical allowances;
- Golden hellos: payments made as an incentive for particular staff to join the Board; and

Compensation for loss of office: the amount of any compensation paid or payable to directors or past directors in respect of loss of office.

**Performance related bonus**

From 2010-11, the FReM requires performance pay or bonuses payable should be separately reported from salaries, in bands of £5,000 (see FReM 5.2.19b). This change is reflected in the proforma on page 20.

**Total accrued pension at pensionable age at 31<sup>st</sup> March**

For a new member of staff, the first year of the disclosure will require the accrued pension at pensionable age as at 31<sup>st</sup> March as the basis for that year's calculations and beyond. In the majority of cases, this information will be available directly from the Chief Salaries and Wages Officer, who will have access to pensions service and pensionable pay figures. In a few cases the Chief Salaries and Wages Officer will need to approach the Scottish Public Pensions Agency. In these cases the information may take longer to acquire

Once the data items required to calculate the accrued pension as at 31 March have been obtained for an employee, the figures required for the director's remuneration disclosure in subsequent years can be calculated directly by the Board.

**Cash Equivalent Transfer Values (CETVs)**

The value of the cash equivalent transfer value at the beginning of the reporting year and the real increase in the cash equivalent transfer value during the reporting year, to the nearest £1,000 should be reported. FRAB(66) 6 has a worked example which shows how to calculate CETVs.

Employer Pension Notice (EPN) 216 supplements EPN 210 and provides an extended example of a description of CETVs, with the new text emphasised in bold. This is set out below.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits

at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries **and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.**"

### **Real Increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### **Benefits in kind**

The total of any taxable benefits in kind are to be shown in the relevant column of the individual disclosures rounded to the nearest £100, therefore a disclosure of £5,300 would be shown as 5.3 not 5.

### **Employee Directors**

Where the employee director on the NHS Board is also an employee of the Board in another capacity, their total remuneration should be disclosed regardless of how much time they spend working in the role of Employee Director. A footnote should be added to give more details of the specific arrangements for this post, for example:

- the Employee Director's salary includes £xx in respect of non-board duties.

The principle above that total remuneration should be disclosed is applied to all Non-Executive and Executive Directors, not just the Employee Director.

### **Transferred Staff**

As outlined above, the remuneration disclosed for a director appointed during the financial year, should only be the proportion of their remuneration for their time in post, e.g. six months.

Where board members or senior staff have joined the Board from another NHS body during the course of the financial year, the remuneration disclosed will therefore be split between the two employing bodies. With regard to the pension disclosures, the Board for whom the staff is employed at 31 March should disclose the total accrued pension at pensionable age (as due from SPPA) rather than trying to apportion this over the financial year. The NHS body from which the staff transferred should show a nil disclosure in respect of pensions (but shall continue to disclose the other information required in the note).

The SPPA will be required to provide information on the pensionable pay of any staff that transferred over the course of the financial year. If SPPA are unable to provide this information on time, the Board should insert an asterisk next to the pension disclosure and insert a footnote stating that the information was unavailable for publication. It should be made clear that the individual did not withhold their consent to disclose this information.

**Pro Forma Disclosure**

**[Insert Board Name]**

**REMUNERATION REPORT**

**FOR THE YEAR ENDED 31 MARCH [Current Year]**

	Remuneration (Bands of £5,000)	Performance related bonus (Bands of £5,000)	Real increase in pension At pensionable age (Bands of £2,500)	Total accrued pension at pensionable age at 31 March (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2010  £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2011  £'000	Real increase in CETV in year  £'000	Benefits in kind  £'000
<b>Remuneration of:</b>								
<b>Executive Members</b>								
Chief Executive: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
Director of Public Health: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
Director of Finance: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
Other exec: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
Other exec: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
Other exec: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
<b>Non Executive Members</b>								
The Chair: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
<b>Other Snr Employees</b>								
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
<b>Total</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

[Insert Board Name]

## REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH [Prior Year]

	Remuneration (Bands of £5,000)	Performance related bonus (Bands of £5,000)	Real increase in pension At pensionable age (Bands of £2,500)	Total accrued pension at pensionable age at 31 March (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2009 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2010 £'000	Real increase in CETV in year £'000	Benefits in kind £'000
<b>Remuneration of:</b>								
<b>Executive Members</b>								
Chief Executive: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
Director of Public Health: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
Director of Finance: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
Other exec: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
Other exec: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
Other exec: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
<b>Non Executive Members</b>								
The Chair: [insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
<b>Other Snr Employees</b>								
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
[insert name]	0 - 0	0 - 0	0 - 0	0 - 0	0	0	0	0
<b>Total</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Additional Disclosure Required

2014-15		2013-14	
Highest Earning Director's Total Remuneration (£000s)	180 – 185	Highest Earning Director's Total Remuneration (£000s)	175 – 180
Median Total Remuneration	21,358	Median Total Remuneration	20,121
Ratio	8.54	Ratio	8.82
<b>Commentary</b> Year-on-year movements in the highest earning Director's remuneration and median earnings should be disclosed and explained.			

Signed..... Date.....

Chief Executive as  
Accountable Officer (*delete as appropriate*).

Below is a suggested method for establishing the median pay calculation.

### Suggested Median Calculation 2014-15

Total Gross Pay Cost	x	Figure taken at Month 12/Week 53. This excludes superannuation for both employers and employees.
LESS:		
Other payments	(x)	These are expenses and allowances that are not pay
Arrears of pay	(x)	Arrears paid may distort the median
ADD:		
Availability supplement	x	
Discretionary points	x	
Distinction awards	x	
Total pay for calculation of the median	<u>xx</u>	

### OTHER ADJUSTMENTS

1. For part time employees the total pay for calculation of the median is grossed up.
2. Contracts of less than 2 hours were removed, as this led to very high annual salaries when grossed up and distorted the median result..

### NOTES

Agency staff excluded, as they are not employees and are charged via invoice, not via payroll.

## ANNUAL ACCOUNTS CERTIFICATES

### 1. Certificates

On the following pages are the:

- Statements of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board;
- the NHS Board Members' Responsibilities in Respect of the Accounts; and
- Governance Statement

These statements are required to be signed by the appropriate Board Members on behalf of the board when the accounts are formally adopted by the board.

### 2. Audited Accounts

When the audit of the accounts has been completed and the auditors have indicated that there are no audit issues outstanding and have advised the board of the opinion, including any qualifications they intend to give the accounts, the accounts can be finalised. The accounts should be formally adopted by the NHS board at a board meeting. The minutes should also refer to any resolutions passed or items concerning the accounts. This might include items considered specifically at the request of the auditors.

The Director of Finance and the Chief Executive should sign the balance sheet.

The Chairman and the Director of Finance should sign the Statement of Health Board Members' Responsibilities on behalf of the board.

The Chief Executive should sign the Directors' report, the Governance Statement and the Statement of the Chief Executive's responsibilities as the Accountable Officer of the Health Board. Any financial information presented in the Directors' report section shall be subject to audit and should be consistent with the annual accounts. Auditors are required to verify the consistency of financial information in the Directors' report, but only the remuneration report is subject to audit and covered by the auditor's report.

The auditor will then complete their report giving his opinion on the accounts. The Auditors are expected to sign their report immediately or shortly after the NHS board have adopted the accounts.

Audit Scotland's [\*Code of Audit Practice\*](#) states that model auditors' reports will be provided by Audit Scotland. The model reports are regularly updated, through notes for guidance, to take account of the latest Auditing Practice Board guidance.

### 3. Other Audit Certificates

Unless covered by the Auditors opinion on the accounts, audit certificates are required for:

SFR 19 Patients' Private Funds

**4. Text of the Certificates**

.....HEALTH BOARD

**ANNUAL ACCOUNTS 20xx/xx****STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE HEALTH BOARD**

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

This designation carries with it, responsibility for:

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

In preparing the Accounts I am required to comply with the requirements of the governments Financial Reporting Manual and in particular to

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

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

Signed ..... Date .....

Chief Executive



.....**HEALTH BOARD**

**ANNUAL ACCOUNTS 20xx/xx**

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 20xx and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

Director of Finance

Chairman

Date

**GOVERNANCE STATEMENT****INTRODUCTION**

The Financial Reporting Manual requires Chief Executives to sign a Governance Statement which covers all controls including financial, operational, compliance and the management of risk.

Guidance has recently been developed by the Corporate Governance and Audit Group which describes the format of the Governance Statement to be adopted by Departments and Agencies of the Scottish Government.

All NHS bodies should have all relevant risk management and review processes in place to be able to fully comply with the guidance.

The Governance Statement should be developed in accordance with the proforma statement which is also developed by the NHS Corporate Governance and Audit Group and issued each year by the Scottish Government.

The Governance Statement should contain a brief but comprehensive summary of the actual processes in place, including a description of how current initiatives (whether centrally or locally driven) are being taken forward. In particular, the narrative description of the processes in place should be used for reporting on progress or compliance with particular central initiatives which have a reporting requirement.

All NHS organisations should aim to have all the risk management and review processes they consider necessary in place during each financial year. These processes should be reflected in the Governance Statement and where any necessary processes were not in place the statement should reflect the relevant deficiencies. Risk management should be an on-going process and NHS bodies should ensure that appropriate review and development arrangements are in place.

## FORM AND CONTENT

### DIRECTORS' REPORT AND ACCOUNTS

In addition to the following, Unified NHS Boards will have to complete Costs Book Returns for health care services they provide.

#### DIRECTORS' REPORT

Management  
Accounts Direction

Certificates

#### PRIMARY STATEMENTS

Statement of Comprehensive Net Expenditure and Resource Outturn Statement (SOCNE)  
Balance Sheet (BS)  
Statement of Cash Flows (CFS)  
Statement of Changes in Taxpayers' Equity (SOCTE)

#### NOTES TO THE ACCOUNTS

Note 1	Accounting Policies
Note 2	Staff Numbers & Costs
Note 3	Other Operating Costs
Note 4	Hospital and Community Health Services
Note 5	Family Health Service Expenditure
Note 6	Administration Costs
Note 7	Other Non clinical Services
Note 8	Operating Income
Note 9	Capital Expenditure
Note 10	Intangible Assets
Note 11	Property, Plant and Equipment
Note 12	Inventories
Note 13	Trade and other receivables
Note 14	Available-for-sale Finance Assets
Note 15	Cash and cash equivalents
Note 16	Trade and other payables
Note 17	Provisions
Note 18	Movement on Working Capital
Note 19	Contingent Liabilities
Note 20	Post Balance Sheet Events
Note 21	Commitments
Note 22	Leases
Note 23	PFI Contracts
Note 24	Pension Costs
Note 25	Prior Year Adjustments
Note 26	Restated Statement of Comprehensive Net Expenditure/Balance Sheet/Statement of Cash Flows
Note 27	Financial Instruments
Note 28	Derivative Financial Instruments
Note 29	Related party transactions
Note 30	Segment information

**SCOTTISH FINANCIAL RETURNS (SFRs)****SFRs INTEGRATED WITH THE ANNUAL ACCOUNTS AND NOTES****Form  
No.**

SFR 1	Allocations from Scottish Government Health and Social Care Directorates
SFR 4	Family Health Service Income
SFR 9	Primary Medical Services
SFR 10	Pharmaceutical Services
SFR 11	General Dental Services
SFR 12	General Ophthalmic Services
SFR 15	Salaries and Wages - Summary
SFR 18.0	Summary of Losses and Special Payments
SFR 18.1	Details of Delegated Authority for Losses and Special Payments
SFR 18.1b	Details of Losses and Special Payments above the Delegated Authority
SFR 18.1c	Details of Fraud, Embezzlement and other irregularities
SFR 19	Patients' Private Funds
SFR 30	Balances with other NHSScotland health boards
SFR 30.1	Balances with Central Government bodies
SFR 30.2	Balances with Whole of Government bodies
SFR 36	Private Patients and Amenity Beds
SFR 37	Analysis of land, buildings, dwelling and assets held

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE****INTRODUCTION****1. Annual Accounts**

Under Resource Accounting, the primary statements in the annual accounts consist of: the Statement of Comprehensive Net Expenditure; the Statement of Financial Position (Balance Sheet); the Statement of Cash Flows; and the Statement of Changes in Taxpayers' Equity. These statements are supported by further analyses in the notes to the accounts. Taken together the summary statements and notes are the Annual Accounts of the NHSScotland Boards.

**2. Statement of Comprehensive Net Expenditure**

NHS Boards' primary role is that of commissioners of health care (or clinical services). This account is drawn up primarily to show that role. Funding received from the SGHSCD is not reported in the Statement of Comprehensive Net Expenditure, only income receivable from other sources is reported under Operating Income.

**3. Supporting statements**

The amounts reported in these Forms are further analysed in the Notes.

In printing the formal accounts, the words 'Notes to the Accounts' are printed in the heading of the form, and the note numbers in the body of the form.

**4. Net Operating Costs**

The Net Operating Costs will be charged to the general fund in the Balance Sheet. Cash drawn down from the Scottish Government, will be credited to the General Fund in the Balance Sheet.

**5. Summary of Resource Outturn**

The Summary of Resource Outturn at the foot of the Statement of Comprehensive Net Expenditure enables Boards to report their performance against their core and non core revenue resource limit.

**Clinical Services Costs - Hospital and Community**

The total from Note 4

**Hospital and Community Income**

The total from Note 8

**Clinical Services Costs - Family Health Service**

The total from Note 5

**Family Health Income**

The total from Note 8

**Total Clinical Service Costs**

The total of net Hospital and Community and Family Health Service expenditure above.

**Administration Costs**

The total from Note 6

**Administration Income**

The total from Note 8

**Non Clinical Services Costs**

The total from Note 7

**Other Operating Income**

The total from Note 8

**Net operating costs**

Total net operating costs from above.

**Other Comprehensive Expenditure**

In accordance with 5.4.9 of the FReM, Boards are required to disclose other comprehensive expenditure. This relates to net gain or loss on revaluation of Property, plant and Equipment, intangibles and available for sale financial assets, which have been taken to the revaluation reserve.

The purpose is to provide a bottom line figure of total comprehensive expenditure – taking both net operating costs and the gain or loss on revaluations.

**SUMMARY OF RESOURCE OUTTURN****Net Operating Costs**

Total SOCNE from above.

**Non Core Expenditure**

This represents the total of non core expenditure as detailed below.

**FHS Non Discretionary Allocation/Expenditure**

This allocation should be deducted from the Net Operating Cost as it is not included within the RRL. The FHS Non Discretionary Allocation should be adjusted at the year-end to reconcile to actual FHS Non Discretionary expenditure incurred less income received in respect of FHS.

**Capital Grants**

Expenditure charged to the Statement of Comprehensive Net Expenditure in respect of capital grants to local authorities, other public bodies, General or Dental Practitioners or other private bodies, for the purposes of securing or improving non current assets from which the health board or its residents will benefit even though they will not be owned by the board should be deducted here. This will be added to the expenditure to be charged against the Capital Resource Limit in note 9.

Income credited to the Statement of Comprehensive Net Expenditure in respect of capital grants from local authorities, other public bodies, General or Dental Practitioners or other private bodies, for the purposes of securing or improving non current assets from which the health board or its residents will benefit even though they will not be owned by the board should be added here. This will be deducted from the expenditure to be charged against the Capital Resource Limit in note 9.

**Depreciation/Amortisation**

Expenditure on depreciation and amortisation will now score against Non Core Expenditure. This should be the total depreciation provided during the year represented by note 11 but excluding depreciation on donated assets. This will also include amortisation charge in note 11. The amount should be in line with forecast expenditure advised in your AME submissions to SGHSCD. Depreciation on PFIs should also be excluded as this is included within PFI line.

**Annually Managed Expenditure (Impairments)**

The types of write downs incurred by the Board as operating costs that score as Annually Managed Expenditure (AME) (as defined in the FReM in section 8.2.13) should be recorded here as allowable deductions from expenditure charged to the RRL. This total should be agreed in advance with both the Scottish Government Health Directorates and auditors.

**Annually Managed Expenditure (Provisions)**

This should include the total expenditure on any new provisions created after 31 March 2010. Any movements in new provisions will also be offset against AME. The amount should be in line with the forecast expenditure advised in the AME submissions to SGHSCD.

Provisions created before 31 March 2010 (old provisions) have been included in expenditure charged to RRL. Any uplifts in old provisions will score against AME. Payment of old provisions, reversing of unutilised old provisions and unwinding of discount will score against RRL.

**Donated Assets Additions**

This line discloses the cost of additions to Donated Non current assets which are transferred to note 9 and should agree with the value of additions shown in note 11b.

**Annually Managed Expenditure (Depreciation on Donated Assets)**

This should represent the donated assets depreciation as shown in note 11. The amount should be in line with forecast expenditure advised in your AME submissions to SGHSCD.

**Expenditure on PFI Projects on Balance Sheet**

This should include the total expenditure on service concessions that meet the IFRIC 12 definition of PFI projects and therefore have infrastructure assets on balance sheet. The amount should be in line with the forecast IFRS expenditure advised in your budgetary submission. The amount in the budgetary submission in respect of ESA95 / UKGAAP expenditure will be deducted from RRL funding so no element of expenditure on such PFI projects should be charged against the RRL. Note that this should include expenditure on PFI projects even where assets were previously accounted for on the balance sheet.

**Summary Resource Outturn**

This represents total resources incurred by the NHS Board against their core and non core revenue Resource Limit.



## BALANCE SHEET

### INTRODUCTION

#### 1. Balance Sheet

This form records the Board's assets and liabilities in Balance Sheet format.

IAS 1 requires that the Balance Sheet is presented so as to present separately non-current assets, current assets, current liabilities and non-current liabilities.

IAS 1 defines current assets: "An asset shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
  - (b) it is held primarily for the purpose of being traded;
  - (c) it is expected to be realised within twelve months after the balance sheet date;
- or
- (d) it is cash or a cash equivalent (as defined in IAS 7 Cash Flow Statements) unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

All other assets shall be classified as non-current."

An operating cycle is "the time between the acquisition of assets for processing and their realisation in cash or cash equivalents". Where the normal operating cycle cannot be identified, it is assumed to have a duration of 12 months.

IAS 1 defines current liabilities as follows: "A liability shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be settled in the entity's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is due to be settled within twelve months after the balance sheet date; or
- (d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

All other liabilities shall be classified as non-current."

#### 2. Accruals accounting and materiality

Resource Accounts are prepared on an accruals basis to present more accurately than on a cash basis the resources used by the service. In keeping with the desire for more timeous presentation of the Accounts however, NHS Boards, when setting up closing entries for debtors, creditors, prepayments and accruals, as opposed to inventories which are expected to be a pre-31 March activity, should refrain from holding their books open unduly long while they identify creditors, etc for inclusion in the Accounts. Boards should exercise discretion in this area, and therefore Accounts may exclude creditors which do not materially influence the Board's financial standing on an income/expenditure basis. Boards should, therefore, ensure that materiality is exercised at the lowest level, and not the highest in making a judgement.

#### 3. General Fund

Comparative balances will include any adjustments to the figures for the prior year that have been agreed to be treated as such. Notes 25 and 26 should be used to demonstrate the movement from the Board's previous accounts to the comparative figures shown in these accounts.

**NON-CURRENT ASSETS****Property, plant and equipment - Net book value**

The total from Note 11.

**Intangible Assets – Net book value**

The total from Note 10.

**Financial assets:**

This is a sub heading only.

**Available-for-sale financial assets**

The non-current element from Note 14.

**Trade and other receivables**

The non-current element from Note 13.

**CURRENT ASSETS****Inventories**

The total from Note 12.

**Financial assets:**

This is a sub heading only.

**Trade and other receivables**

The current element from Note 13.

**Cash and cash equivalents**

The actual cash and cash equivalent balances in hand and in the bank (overdrawn balances should be included with creditors due within one year) at 31 March from Note 15.

**Available-for-sale financial assets**

The current element from Note 14.

**Derivative financial assets**

From note 28.

**Non-current assets held for sale**

The total from Note 11c.

**CURRENT LIABILITIES****Provisions**

The current element of provisions from Note 17.

**Financial liabilities:**

This is a sub heading only.

**Trade and other payables**

The current element from Note 16.

**Derivative financial liabilities**

From note 28.

**NON-CURRENT LIABILITIES****Financial liabilities:**

This is a sub heading only.

**Trade and other payables**

The non-current element from Note 16.

**Provisions**

The non-current element of provisions from Note 17.

**TAXPAYERS' EQUITY****General Fund**

The General Fund total from the Statement of Changes in Equity

**Revaluation Reserve**

The Revaluation Reserve total from the Statement of Changes in Equity.

**Other Reserve**

The Other Reserve total from the Statement of Changes in Equity.

## STATEMENT OF CASH FLOWS

### INTRODUCTION

#### 1. Objectives

The objective for this statement is compliance with International Accounting Standard (IAS 7), which establishes standards for cash flow reporting. The objective of IAS 7 is to require the provision of information about the historical change in cash and cash equivalents of an entity by means of a statement of cash flows that classifies cash flows during the period from operating, investing and financing activities.

Cash is defined as "cash on hand and demand deposits".

Cash equivalents are defined as "Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value."

As a general rule, cash inflows are shown as positive amounts and cash outflows are shown as negative amounts, i.e. with brackets.

#### 2. Conventions for NHS Boards

The conventions adopted are:

##### a) Cash flows from operating activities

IAS 7 defines operating activities as 'the principal revenue-producing activities of the entity and other activities that are not investing or financing activities'.

##### b) Cash flows from investing activities

IAS 7 defines investing activities as 'the acquisition and disposal of long-term assets and other investments not included in cash equivalents'. Cash flows from investing activities, therefore, generally include the cash effects of transactions relating to the acquisition and disposal of any long-term asset or current asset investment (other than those regarded as cash equivalents).

##### c) Cash flows from financing activities

IAS 7 defines financing activities as 'activities that result in changes in the size and composition of the contributed equity and borrowings of the entity'. Therefore, cash flows from financing activities generally comprise receipts or payments in relation to the obtaining, servicing and repayment or redemption of debt and equity sources of finance.

IAS 7 permits discretion as to where certain cash flows may be disclosed, depending on how an entity views them in relation to its activities. In order to ensure consistency of treatment, guidance on the classification of the certain cash flows is provided below:

- Interest received on investments represents cash flows associated with investing activities and should be disclosed under that heading.
- Cash flows in relation to the payment of interest, including the interest element of finance lease rentals and PFI contracts, are associated with financing activities and should therefore be disclosed under that heading.

### **3) Disclosure**

#### **a) Cash flows from operating activities**

##### **Net operating cost**

The net operating cost should be taken directly from the Statement of Comprehensive Net Expenditure.

##### **Adjustments for non-cash transactions**

Adjustments to net operating cost to remove the effects of non-cash items such as depreciation and other non-cash items. The total of adjustments for non-cash transactions should be taken from the calculation in Note 3.

Although such items are deducted from expenditure as cash is not required to pay for these costs the Revenue Resource Limit includes an amount to cover overall revenue expenditure by NHS Boards.

##### **Interest payable**

Adjustment to net operating cost to remove interest payable that relates to investing and financing activities that was charged to the SOCNE.

##### **Interest receivable**

Adjustments to net operating cost to remove interest receivable that relates to investing and financing activities that was credited to the SOCNE.

##### **Movements in working capital – revenue balances**

Adjustments to net operating cost to remove the effects of changes in working capital (such as accruals and prepayments and changes in receivables and payables in the period). The changes in the working capital balances in the Statement of Cash Flows are for revenue balances only. Excluded from this line are changes in balances for capital receivables and payables, interest payable, overdrafts, lease and PFI payments payable and general fund receivables or payables.

In general the movements in balances should be the differences between the current year actual and comparative current asset balances. The following amounts are however required to be shown separately in the Statement of Cash Flows:

##### **i) Capital Receivables and Payables**

The Statement of Cash Flows shows separately the receipts and payments for non-current assets. Receivables and payables balances for capital expenditure therefore need to be excluded from Cash flow receivables and payables movements in note 18.

##### **ii) Bank Overdrafts**

Overdrafts are included in the balance sheet as current creditors, but are deducted separately in arriving at the net cash figure shown in the Statement of Cash Flows. Overdraft movements need therefore to be excluded from movements in payables in note 18.

##### **iii) General Fund Receivables and Payables**

General Fund Receivables and Payables are included in the balance sheet in net current assets but are shown separately in the Statement of Cash Flows in adjusting funding to cash drawn. General Fund receivables and payables movements should therefore to be excluded from movement on balances in note 18.

The lines in the cash flow statement should show the movement in revenue balances only and are taken from the calculations shown in note 18.

**Net cash flow from operating activities**

The net cash outflow is calculated in the lines below and carried forward to this line.

**b) Cash flows from investing activities****Purchase of property, plant and equipment**

The actual cash payments for purchased property, plant and equipment additions shown in note 11 excluding opening and closing creditors and finance leases or on balance sheet PFI contracts, for all classes of property, plant and equipment assets excluding donated assets.

**Purchase of intangible assets**

The actual cash payments for intangible asset additions shown in note 10 excluding opening and closing creditors and finance leases or on balance sheet PFI contracts, for all classes of intangible assets excluding donated assets.

**Proceeds from disposal of property, plant and equipment**

This is the total cash proceeds of sales of property, plant and equipment received in the year. This should equate to the total net book value of property, plant and equipment asset disposals shown in note 11 including the net book value of disposals of non-current assets held for sale, less losses or plus profits on disposal shown in note 3.

**Proceeds from disposal of intangible assets**

This is the total cash proceeds of sales of intangible assets received in the year. This should equate to the total net book value of intangible asset disposals shown in note 10 plus the net book value of disposals of non-current assets held for sale less losses or plus profits on disposal shown in note 3.

**Interest received**

The actual interest cash receipts made during the year.

**Net cash flow from investing activities**

This is the sum of the above items and represents the net investment received/made in year.

**c) Cash flows from financing activities**

The financing section should reflect receipts from, or repayments to, external providers of Finance (i.e. the SGHSCD). The cash drawn down (from the SGHSCD) will be broken down and reported as 'funding', and 'movement on general fund working capital'.

**Funding**

Funding is the cash required to fund activities and is calculated by adjusting the cash drawn down from the SGHSCD against the Revenue and Capital Resource Limits in respect of amounts in excess of or insufficient for requirements. The figure reported here will agree with the total funding figures shown in the SOCTE.

**Movement in general fund working capital**

At the year-end, a Board must compare the actual cash requirement (i.e. net cash outflows as reported on the cash flow statement) against the cash drawn down in year to determine whether too much or too little has been drawn down. Essentially, the Board should have a closing general fund payable equal to the closing cash balance at the year-end. A general fund receivable should be created for net overdrafts at the year-end. These are separately shown in note 13 and note 16 and the movement here should equate to the net increase in the amount payable or reduction in the amount receivable.

During the course of the financial year, it will normally be necessary to increase the general fund payable or reduce the receivable for any increase in cash balances over the

course of the year and reduce the payables figure or increase the receivables figure for any decrease in cash balances over the course of the year. Net increases to payables or reductions to the receivables should be added here and net reductions to the payables or increases to the receivable amount should be deducted.

**Cash drawn down**

This is the total cash drawn down by the Board against the Revenue and Capital Resource Limits. This figure should equate to the sum of the above two items and agree with the corresponding figures shown in the SOCTE.

**Capital elements of payments in respect of finance lease and on-balance sheet PFI contracts**

This is the payment of the capital element of finance lease and on balance sheet PFI creditors in the year. This should be deducted in arriving at the cash inflow from financing.

**Interest paid**

The actual interest cash payments made during the year.

**Interest element of payments in respect of finance lease and on-balance sheet PFI contracts**

The actual interest cash payments made during the year.

**Net cash flow from financing activities**

This is the sum of the above items and represents the net financing received in year.

**Increase/(decrease) in cash in year**

This is the movement in net cash balances in the year and should agree with note 15.

**Cash and cash equivalents at the beginning of the year**

Should agree with note 15.

**Cash and cash equivalents at the end of the year**

Should agree with note 15.

**Reconciliation of net cash flow to movement in net debt/cash**

This section should agree with the total net cash / debt and movement as shown in note 15. The increase or decrease in net cash (debt) should also agree with the amount shown above for increase (decrease) in cash in year.

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY****INTRODUCTION****General**

IAS 1 (Revised) requires movements in equity to be shown in a Statement of Changes in Equity (SOCIE). The equivalent for the Public Sector, as interpreted in paragraph 5.4.15 of the FReM, is a Statement of Changes in Taxpayers' Equity (SOCTE).

If the net balance of reserves is negative (i.e. a debit balance), it should be entered in brackets or prefixed by a minus (-) sign.

**Disclosure**

The items to be shown should agree with the information disclosed elsewhere in the accounts.

The Statement of Changes in Taxpayers' Equity should analyse the movement on each of the following reserves during the period:

- General Fund
- Revaluation Reserve
- Other Reserve

**GENERAL FUND****General**

This column reconciles movements on the General Fund in compliance with the FReM. Note that funding from other NHS bodies is now classified as income and should not be included as funding drawn in the general fund.

Credit balances on the General Fund are shown as positive amounts. Debit balances (e.g. Net Operating Costs) should be shown as negative amounts, i.e. in brackets.

**Definition**

The General Fund represents the total assets less liabilities of the NHS Board, to the extent that it is not represented by other reserves and financing items.



## LINE NARRATIVES

### General Fund at 31 March

The opening general fund balance brought forward from 31 March of the previous year.

### Prior year adjustments

Prior year adjustments for changes in accounting policy and material errors should agree to amounts shown in notes 25 and 26.

### General Fund at 1 April

The total opening general fund balance brought forward from 31 March of the previous year as adjusted for prior year adjustments.

### Net Operating Cost for the year

The Net Operating Cost as shown on the Statement of Comprehensive Net Expenditure.

### Transfer between reserves

#### (i) Realised Element of Revaluation Reserve

This line shows the transfer of the realised element of the revaluation reserve to the general fund in respect of depreciation, impairment or disposal of non current assets. See Chapter 3 of the Capital Accounting Manual for further details.

### Transfer of Non Current Assets from other bodies

This should show the net total of assets transferred from other bodies at net book values. This will normally relate to assets transferred between NHS bodies at no cost. This figure will agree with the net total of assets transferred shown in the fixed asset note.

### Pensions Reserve Movement

This reflects movements in the net value of pension obligations under schemes that do not meet the definition of multi employer as taken to the General Fund.

### Other adjustments

Any other adjustments that are charged or credited to the general fund should be specified here. Any transaction recorded in this line has to be discussed with SGHSCD in advance, therefore the cell will be password protected. This should not include any prior period adjustments.

### Funding

#### (i) Add Cash Drawn Down

The cash drawn down against the revenue and capital resource limits during the reporting year, together with the notional advances in respect of payments on behalf. This should agree with the amount shown on the Cash Flow Statement and as notified by the SGHSCD.

#### (ii) Movement in General Fund Debtor/(Creditor)

This will be the movement in the general fund debtor/(creditor) in the year and should equate to the difference between the closing general fund debtor and (creditor) less the opening general fund debtor/(creditor) as adjusted for cash drawn down which is separately disclosed above.

The closing General Fund creditor or debtor in the current year should equate to the closing net cash balance or overdraft in the current year. A closing general fund creditor would be shown as a negative amount and a closing general fund debtor would be shown as a positive amount.

This opening General Fund creditor or debtor is closing General Fund creditor or debtor in the previous year, which should equate to the closing net cash balance or overdraft in the previous year. An opening general fund creditor would be shown as a positive amount while an opening general fund debtor would be shown as a negative amount.

**Net Funding**

The total in the funding section is net funding. Net funding is not simply cash drawn down during the reporting year, nor indeed the entitlement for the reporting year, but the actual cash requirement in respect of net payments made. Cash balances are deducted as excess cash drawn in arriving at net funding.

**General Fund as at 31 March**

This line is the sum of the opening general fund plus the increase or less the decrease in the general fund shown above. This will be carried forward and separately disclosed in the balance sheet.

**REVALUATION RESERVE****General**

This column reconciles movements on the Revaluation Reserve in compliance with the FReM.

Credit balances on the Revaluation Reserve are shown as positive amounts. Debit balances should be shown as negative amounts, i.e. in brackets. There should not be a closing or opening debit balance on the revaluation reserve.

**Definition**

This represents the cumulative balance of unrealised indexation and revaluation adjustments pertaining to the Board's assets, as at the balance sheet date.

**LINE NARRATIVES****Revaluation Reserve at 31 March**

The opening revaluation reserve balance brought forward from 31 March of the previous year.

**Prior year adjustments**

Prior year adjustments for changes in accounting policy and material errors should agree to amounts shown in notes 25 and 26.

**Revaluation Reserve at 1 April**

The total opening revaluation reserve balance brought forward from 31 March of the previous year as adjusted for prior year adjustments.

**Revaluation of property, plant and equipment and intangible assets**

This is the increase or decrease in the valuation of property, plant and equipment and intangible assets either as a result of a formal revaluation or as the result of indexation.

Increases in asset values arising from revaluations should be recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating costs, in which case the revaluation is also recognised in operating costs (Note 3).

Decreases in asset values and impairments should be charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating costs (Note 3).

This reflects the change in the value of purchased assets resulting from indexation and professional valuation.

It should be noted that, as per 8.2.4 of the FReM, impairment losses that arise from a clear consumption of economic benefit should be taken to the Statement of Comprehensive Net Expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Balance Sheet is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to the general fund.

### **Revaluation and Impairments taken to Statement of Comprehensive Net Expenditure**

This reflects the total amount of revaluations and impairments charged to the Statement of Comprehensive Net Expenditure as disclosed in Note 3.

### **Transfer between reserves**

#### **i) Transfer of realised element to general fund**

Each year the realised element of the revaluation reserve should be transferred to the general fund. The realised element is made up of:

- i. An amount equal to the excess of actual depreciation over depreciation based on historic cost.
- ii. The balance of the revaluation reserve in respect of assets disposed of during the year.
- iii. The balance on the revaluation reserve in respect of an asset transferred between NHS bodies.

This will agree with the amount shown on the general fund note. See Chapter 3 of the Capital Accounting Manual for further details.

### **Balance at 31 March**

The closing figures should equal the sum of the lines above and will be carried forward and disclosed in the balance sheet.

## **OTHER RESERVES**

This column reconciles movements on the Other Reserves in compliance with the FReM.

Credit balances on the Other Reserve are shown as positive amounts. Debit balances should be shown as negative amounts, i.e. in brackets.

### **Definition**

The Other Reserve should be used to reflect fair value gains or losses on available-for-sale financial assets.

## **LINE NARRATIVES**

### **Other Reserve at 31 March**

The opening other reserve balance brought forward from 31 March of the previous year.

**Prior year adjustments**

Prior year adjustments for changes in accounting policy and material errors should agree to amounts shown in notes 25 and 26.

**Other Reserve at 1 April**

The total opening other reserve balance brought forward from 31 March of the previous year as adjusted for prior year adjustments.

**Revaluation of available for sale financial assets**

This shows the changes in the fair value of financial assets classified as available for sale which has been recognised in reserves.

**Release of reserves to the Statement of Net Expenditure**

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.

**Balance at 31 March**

The closing figures should equal the sum of the lines above and will be carried forward and disclosed in the balance sheet.

**ACCOUNTING POLICIES****INTRODUCTION****General**

This note should reflect the accounting policies that the Board has adopted in preparing its accounts. These accounting policies should be in line with those required in the Board's Accounts Direction, as further explained in this manual and the NHS Scotland Capital Accounting Manual.

**Disclosure**

The disclosures suggested below reflect the general accounting policies prescribed in this manual and the NHS Scotland Capital Accounting Manual. NHS Boards should use these as a basis for describing their individual accounting policies to the extent that they are applicable and may also require to reflect any specific application of these policies that they have applied as required. However any policies not considered applicable or any specific application of others must be in line with the guidance as highlighted above.

**ACCOUNTING POLICIES****NHS ...../.....HEALTH BOARD****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 (IFRS 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 30 below.

Note: Where a new international accounting standard/amendment/interpretation has been issued but not yet implemented, Boards are required to disclose in their financial statements the nature of the standard, and if possible, an estimate of its likely effect on future financial statements.

**(a) Standards, amendments and interpretations effective in 2015-16**

There are no new standards, amendments or interpretations effective for the first time in 2015-16.

**(b) Standards, amendments and interpretation early adopted in 2015-16**

There are no new standards, amendments or interpretations early adopted in 2015-16.

**2. Basis of Consolidation**

As directed by the Scottish Ministers, the financial statements do not consolidate the [name of endowment funds]. Transactions between the Board and the [name of endowment funds] are disclosed as related party transactions, where appropriate, in note 29 to the financial statements."

**3. Prior Year Adjustments**

[Only required in respect of any agreed prior year adjustments in respect of changes in accounting policy or correction of material errors in accordance with IAS 8 and paragraph 2.3 of the FReM]

The prior year comparative figures have been restated to reflect [insert details as required to include an explanation of the nature, reason and quantification of the adjustment].

**4. Going Concern**

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

**5. Accounting Convention**

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

**6. Funding**

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

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

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

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

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

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

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

**7. Property, plant and equipment**

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

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

**7.1 Recognition**

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

All assets falling into the following categories are capitalised:

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

- 2) In cases where a new hospital would face an exceptional write off of items of equipment costing individually less than £5,000, the Board has the option to capitalise initial revenue equipment costs with a standard life of 10 years.
- 3) Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

## 7.2 Measurement

### Valuation:

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

All assets are measured subsequently at fair value as follows:

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

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

Valuations of all land and building assets are reassessed by valuers under 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.

### 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.



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**Revaluations and Impairment:**

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together.

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

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

**7.3 Depreciation**

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

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

- 1) Freehold land is considered to have an infinite life and is not depreciated.
- 2) Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Board, respectively.
- 3) Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification.
- 4) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
- 5) Equipment is depreciated over the estimated life of the asset.
- 6) Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
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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.

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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:

Internally generated intangible assets:

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Board intends to complete the asset and sell or use it;
- the Board has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the Board to complete the development and sell or use the asset; and
- the Board can measure reliably the expenses attributable to the asset during development.

Expenditure so deferred is limited to the value of future benefits.

Software:

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

Software licences:

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

Carbon Emissions (Intangible Assets):

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

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

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

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

### Websites

Websites are capitalised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Board; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

## **8.2 Measurement**

### Valuation:

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

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

### Revaluation and impairment:

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

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

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

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

## **8.3 Amortisation**

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

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

- 1) Internally generated intangible assets. Amortised on a systematic basis over the period expected to benefit from the project.
- 2) Software. Amortised over their expected useful life
- 3) Software licences. Amortised over the shorter term of the licence and their useful economic lives.
- 4) Other intangible assets. Amortised over their expected useful life.
- 5) Intangible assets which has been reclassified as 'Held for Sale' ceases to be amortised upon the reclassification.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
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[Boards should include here all asset categories and lives appropriate to their asset base.]

## 9. Non-current assets held for sale

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

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

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

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

## 10. Donated Assets

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

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

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

## 12. Leasing

### Finance leases

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

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

### Operating leases

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

### Leases of land and buildings

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

[Where a Health Board leases assets to others which are material they must disclose the accounting policy used for these leases.]

## 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 SOCNE are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

## 14. General Fund Receivables and Payables

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

created and the general fund credited with the same amount to indicate that additional cash is to be drawn down from the SGHSCD.

## **15. Inventories**

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

## **16. Losses and Special Payments**

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

## **17. Employee Benefits**

### **Short-term Employee Benefits**

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

### **Pension Costs**

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

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

## **18. Clinical and Medical Negligence Costs**

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

NHS xx provide for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' as 50% of the claim and those in 'category 1' as nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is

intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

#### **19. Related Party Transactions**

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

#### **20. Value Added Tax**

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

#### **21. PFI/HUB/NPD Schemes**

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

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

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

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

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

#### **22. Provisions**

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

**23. Contingencies**

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

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

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

**24. Corresponding Amounts**

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

**25. Financial Instruments**  
**Financial assets**Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

Recognition and measurement

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



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

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

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Net Expenditure.

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

The Board assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of Comprehensive Net Expenditure. Impairment losses recognised in

the Statement of Comprehensive Net Expenditure on equity instruments are not reversed through the income statement.

### **Financial Liabilities**

#### Classification

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

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

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

##### **(b) Other financial liabilities**

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

#### Recognition and measurement

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

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

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

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

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

##### **(b) Other financial liabilities**

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

## **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 [or other appropriate reference applicable].

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

**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, balances 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 presentational currencies of the Board are sterling.

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

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

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

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

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

**29. Third party assets**

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

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

**30. Key sources of judgement and estimation uncertainty**

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

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

[It will be for each Board to decide which uncertainties and judgements require disclosure in this way, but examples might include:

- Estimates: Assumptions regarding estimated impairment.
- Estimates: Assumptions underlying the likelihood and outcome of material provisions.
- Estimates: Assumptions regarding the fair value of PPE, intangible assets.

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- Estimates: Assumptions around asset lives, particularly given the change in basis of estimation for DRC properties in 2012-13.
- Estimates: Actuarial assumptions in respect of post-employment benefits.
- Judgement: Whether substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities.

A Board should disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of: (a) nature of the assumption or other estimation uncertainty, (b) sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity, (c) expected resolution of an uncertainty and the range of possible outcomes within the next financial year in respect of the carrying amounts of the asset and liabilities affected and (d) explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.

A Board should disclose the judgments, apart from those involving estimations that management has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in those financial statements.]

[NOTE: The Board should agree these new accounting policies at Audit Committee level].

## STAFF NUMBERS AND COSTS

### INTRODUCTION

#### Gross Pay Costs

This form records and analyses the total gross cost of Board members' remuneration and staff salaries and wages, i.e. it includes employer's share of national insurance and superannuation contributions.

Permanently employed staff costs should be separately disclosed from 'other staff' costs to differentiate those staff that are included in the board's payroll. It includes the costs, including employer on-costs but excluding overheads, of outward secondees recharged by the Board. Outward secondees are staff who appear on the payroll of the Board, although their costs are recharged to another organisation and should therefore be deducted from the total on Note 2. Where staff are recharged by the Board, the related recovery of costs will be reflected within a separate column in this note and also deducted from the related expenditure. The staff will be included within the analysis of staff numbers and included in the payroll analysis on SFR 15.

Other staff costs should separately identify pay costs due to inward secondees, and temporary/agency staff. Inward secondees are essentially the reverse of recharged staff who appear on another organisation's payroll and the costs shown here will match the recharged income included in the other organisation's accounts. Inward secondees and agency staff will not be included in the payroll analysis on SFR 15.

#### Analysis of Pay Costs

Total staff pay costs include HQ, Hospital and Community, Agency and other services. The expenditure to be shown on the form will require to be derived from information on pay costs as the analysis of gross cost is not currently held in board financial ledgers.

#### Capitalised Staff Costs

These are total staff costs (including on-costs) regarding staff capitalised (charged to capital rather than revenue) as included in total staff costs outlined in the table directly above.

#### Staff Numbers - Whole Time Equivalent

The form also gives numbers of employees in the categories set out. The annual mean number of employees is calculated as the total whole time equivalent number of employees (W.T.E.) under contract of service in each week in the financial year, divided by the number of weeks in the financial year.

The Staff numbers to be shown on the form should correspond to the staff pay costs expenditure included elsewhere, except that non-executive Board members should not be included.

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**PAY COSTS****Salaries and wages**

The total gross cost of Board Members' remuneration and staff salaries and wages, excluding employers' share of national insurance contributions and pension contributions but including the cost of accrued holiday pay. This should be taken from the Board's payroll.

**Social security costs**

The employer's share of national insurance contributions for all Board members and all employees.

**NHS Superannuation employers' costs**

The employer's share of NHS superannuation contributions for all Board members and all employees.

**Other employers' pension costs**

The employer's share of contributions to other pension schemes for all Board members and all employees.

**Inward Seconded**

The gross cost of expenditure recharged to the board by other organisations in respect of the cost of their staff seconded to the Board; this does not need to be analysed over the other lines.

**Outward Seconded**

Add gross recovery received from other organisations in respect of board staff on secondment.

**Agency staff**

The gross cost of all payments to employment agencies, including the self-employed, for the provision of agency staff of all disciplines.

**Compensation for Loss of Office or Early Retirement**

The aggregate amount of any discretionary compensation payable to any member of staff in respect of loss of office or early retirement must be disclosed. The amounts to be disclosed include any benefits received, or receivable, otherwise in cash, at the estimated money value of the benefit. In such a case, the nature of the benefit should also be disclosed. It is expected that the Remuneration Committee would approve all payments of this type.

**Pensions to former staff members**

The employer's share of NHS superannuation contributions and other pension scheme contributions for all former Board members and former employees.

**STAFF NUMBERS - AVERAGE W.T.E.****Administration Costs**

The annual mean number (W.T.E.) of employees (excluding inward secondees and agency staff) of the Board whose pay is included in Note 6.

**Hospital and Community Services**

The annual mean number (W.T.E.) of employees (excluding inward secondees and agency staff) of the Board whose pay is included in Note 4.

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**Other Non Clinical Services**

The annual mean number (W.T.E.) of employees (excluding inward secondees and agency staff) whose pay is included in Other Non Clinical Services in the SOCNE, as analysed in Note 7.

**Other**

Any other employees of the Board (excluding inward secondees and agency staff) not included in the Lines above. In particular, it includes staff whose pay is initially charged to a Trading Account, and then re-charged to the end-user as a service.

**Inward Secondees**

The annual mean number (W.T.E.) of staff seconded to the board from other organisations.

**Agency Staff**

The annual mean number (W.T.E.) from employment agencies, including the self-employed, for the provision of agency staff of all disciplines.

**Outward Secondees**

The annual mean number (W.T.E.) of staff seconded from the board to other organisations.

**Disabled Staff**

The annual mean number (W.T.E.) of disabled staff employed by the board; this only includes staff who have notified the board of their disability.

The average number of employees is calculated as the whole time equivalent number of employees in each week in the financial year divided by the number of weeks in the financial year. Employees must not be split between two or more categories of employment. For example, medical directors (who sit on the board) should be classed wholly as board members even if part of their time is spent on clinical duties. Each non-executive director is counted as one WTE.

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**(b) HIGHER PAID EMPLOYEES REMUNERATION****Ranges of Remuneration**

The number of employees paid in each of a range of remuneration bands. Please note that this should include all employees with a salary in excess of £50,000, not just senior employees as defined by the Greenbury Report. These should be separately disclosed for clinicians, who are taken to mean those staff directly providing patient care, including Medical, Nursing, Allied Health Professional, Radiography, Scientific, Clinical Psychology and Pharmacy staff.

**Calculation of Remuneration**

For employees earning over £50k, remuneration is to be calculated as follows:

- 1) Gross Pay (in this employment)  
The gross pay for the year is as in the Inland Revenue form P14/P60, in the box for:  
'Net Pay Scheme Gross Pay in This Employment'.
- 2) Other Pay (in this employment)  
In the case of senior employees, remuneration includes that for any other duties, e.g. as a clinician. Similarly any fees or awards, e.g. distinction awards, are to be included.  
  
These two should equate to taxable pay plus employee's superannuation and are included the Salary figures disclosed above. Include also any invoiced fees (including any irrecoverable VAT) paid to senior employees not on the payroll.
- 3) Benefits in kind  
The total of any taxable benefits in kind are to be shown in the total above and also in the relevant column of the individual disclosures.
- 4) Part Year  
For new appointments, or leavers, the remuneration is the actual paid in the year in that capacity - not the annual rate.



## OTHER OPERATING COSTS

### INTRODUCTION

#### REQUIREMENT FOR DISCLOSURES

If the Statement of Comprehensive Net Expenditure is stated after charging any of the items listed below, which may not be otherwise shown separately in the accounts, and then they are to be reported in Note 3.

If the amount involved is nil for the year, then a nil disclosure is required.

The amounts to be reported are the Board-wide totals, i.e. to include H.Q., operating divisions and other services.

#### ITEMS TO BE DISCLOSED

##### **Depreciation**

This should be the total depreciation provided during the year represented by Note 11.

##### **Amortisation**

This should be the total amortisation provided during the year represented by Note 10.

##### **Impairment and revaluation losses on property, plant and equipment and intangible assets charged to SOCNE**

This is the reduction to the value of intangible assets and property plant and equipment charged to the Statement of Comprehensive Net Expenditure.

Under IAS 36, there is no distinction between an impairment arising from a loss of economic benefits and other impairments. All impairments are therefore charged initially to the Revaluation Reserve, to the extent that there is an available balance for that asset, and only thereafter to Statement of Comprehensive Net Expenditure if necessary. This should represent the total impairment charge recognised in the Statement of Comprehensive Net Expenditure as opposed to the amount scored against RRL.

Where a revaluation results in a reduction in an asset's value, this reduction should be charged initially to the revaluation reserve to the extent that there is an available balance in respect of the asset, and thereafter it should be charged to the statement of comprehensive net expenditure. Negative revaluation reserve balances for individual assets are not permitted. This relates to such downward movements in valuation that are charged to the Statement of Comprehensive Net Expenditure.

It should be noted that, as per 8.2.4 of the FReM, impairment losses that arise from a clear consumption of economic benefit should be taken to the Statement of Comprehensive Net Expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Balance Sheet is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to the general fund.

##### **Impairment Reversals and revaluation gains on property, plant and equipment and intangible assets charged to SOCNE**

This includes the total amount reversed in the Statement of Comprehensive Net Expenditure in respect of impairments previously charged.

In respect of revaluation gains a revaluation surplus should be credited directly to equity unless it reverses a revaluation decrease on the same asset previously recognised as an expense, when it should be credited to Statement of Comprehensive Net Expenditure to that extent.

#### **Loss on remeasurement of non-current assets held for sale**

At subsequent reporting dates following initial classification as held for sale, non-current assets held for sale should be measured at the lower of adjusted carrying value and fair value less costs to sell.

#### **Profits and Losses on Disposal of Intangible Assets and Purchase Property, Plant and Equipment**

Whilst these profits and losses score against the Capital Resource Limit, these still have to be disclosed in arriving at the Net Operating Cost total.

#### **Impairment on available for sale financial assets charged to SOCNE**

This is the total impairment recognised in the Statement of Comprehensive Net Expenditure for financial assets classified as available for sale, as disclosed in Note 14.

#### **Other Non Cash Costs**

This should include any other expenditure charged to the Statement of Comprehensive Net Expenditure that does not involve the payment of cash. Individually significant items should be separately identified and appropriately disclosed.

#### **Interest Payable**

Interest can be recorded under the following lines:

- Interest on late payment of commercial debt
- Bank and other interest payable
- PFI finance interest charges allocated in the year
- Finance lease charges allocated in the year
- Provisions – unwinding of discount
- Other Interest [please specify]

Where a Board is in the practice of discounting provisions, the interest charge resulting from the unwinding of the discount should be reported using the 'Provisions – unwinding of discount' line.

Interest on financial liabilities calculated under the effective interest method should be reported using the 'other interest' line.

Note that separate disclosure is required of any payments of interest under the Late Payment of Commercial Debts (Interest) Act 1998.

Finance lease charges allocated in the year is the amount of the annual obligation under finance leases which is regarded as finance charges.

Any interest receivable generated by the Board should be disclosed in note 8.

#### **Statutory Audit**

This is the total of payments made and to be made to Audit Scotland by the NHS board in connection with the provision or procurement of the statutory audit of the NHS board for the financial year; this does not include internal audit.

#### **Non-audit services**

In addition to the disclosure of the statutory audit fee, if applicable, non-audit fees made and to be made to the external auditor should be disclosed.

## **HOSPITAL AND COMMUNITY HEALTH SERVICES**

### **INTRODUCTION**

#### **Analysis by Type of Provider**

This form is designed to show the sources from which the Board has provided Health Care Services. The expenditure stems from direct provision and the various types of service agreement into which the Board entered, and will comprise expenditure on provision of services in the Board's own facilities or invoices raised by Health Care providers who will include other health boards, private sector hospitals, voluntary bodies etc.

The analysis also differentiates between the resources committed to the health care services within Scotland and beyond.

The totals are then analysed for expenditure on hospital and community health care by broad service group.

#### **Definition of Hospital and Community Health Services**

The expenditure being reported is total expenditure incurred directly or under Service Agreements etc. Provision of health care includes all expenditure on clinical patient care and related services including Laboratory services research and development, undergraduate medical facilities and other training costs. It only excludes any expenditure captured in notes 5, 6 and 7.

#### **Analysis by Broad Category**

This analysis is designed to show the expenditure by service category which the Board has incurred. The expenditure stems from both direct provision and various types of service agreement which the Board has arranged with other providers.

#### **Treatment in Board area of NHSScotland Patients**

This item includes all expenditure on the provision of Hospital and Community health services provided in the board's own area.

#### **Other NHSScotland Bodies**

HCH expenditure by the board on healthcare services provided by other NHS Scotland bodies.

#### **Health Bodies outside Scotland**

This is the same as the line above but for NHS health bodies in England, Wales and Northern Ireland.

#### **Primary care bodies**

This includes all expenditure by the Board on HCH services (other than FHS services which are included in note 5) provided by GPs and any other FHS practitioner e.g. out of hours services. It should include payments in respect of medical services to Local Authorities e.g. the Blue Badge scheme.

#### **Private Sector**

This includes all other private sector bodies with which the Board is in contract for health care services and covers, for example, expenditure with private sector hospitals undertaking specific contracted activities.

## **Community Care**

### **Support Finance**

Health Board contributions towards the revenue and capital costs of Support Finance schemes should be recorded here - NHS Circular No 1985(GEN) 18 refers.

### **Resource transfer**

Resources transferred to Local Authorities for Care in the Community.

### **Contributions to voluntary bodies and Charities**

The Board's donations to voluntary bodies, charities and any other commissioning of health care not analysed above. This includes hospices and voluntary agencies, where these organisations are registered charities, undertaking specific contracted activities.

### **Total NHSScotland Patients**

This is the sum of lines above and provides the total treatment costs for all NHSScotland patients for whom the NHS Board has provided healthcare.

### **Treatment of UK residents based outside Scotland**

Boards should record here the elements of the Non-Contract Activity allocation for the cost of treating UK residents based outside Scotland. The total will be equal to the amounts invoiced to the relevant Health Authorities and Primary Care Trusts in respect of those patients' costs.

## **FAMILY HEALTH SERVICE EXPENDITURE**

### **INTRODUCTION**

#### **General**

This note is intended to disclose details of expenditure on family health services allocated between the Unified Budget and Non discretionary Votes. Further detail is required to be provided on SFR 9 through to SFR 12.

#### **Definition**

Family Health Services (FHS) expenditure is defined as expenditure incurred by NHS Boards on services which are delivered through the four independent contractor streams i.e. GP Practices, Community Pharmacists, General Dental Practitioners and Optometrists.

#### **Source**

The expenditure amounts to be reported are taken to be the totals of the corresponding SFRs. Further details of the amounts appearing in Note 5 can be found as follows:

#### **Primary Medical Services**

**SFR 9.0**

Expenditure in respect of primary medical services provided under PMS contract with GP Practices.

#### **Pharmaceutical Services**

**SFR 10**

Expenditure on pharmaceutical services provided under the general pharmacy contract and local negotiated contracts with community pharmacists. This expenditure is split between unified budget and non discretionary headings.

#### **General Dental Services**

**SFR 11**

Expenditure on dental services provided by General Dental Practitioners. This expenditure is split between unified budget and non discretionary headings.

#### **General Ophthalmic Services**

**SFR 12**

Expenditure on ophthalmic services provided by Optometrists. This expenditure is split between unified budget and non discretionary headings.

#### **Total Expenditure**

The total which is reported in the Statement of Comprehensive Net Expenditure.

For 2012/13 Boards should note there are some changes to the lines within the SFRs as suggested by the FHS Executive Group which will be detailed in the annual accounts template.

## ADMINISTRATION COSTS

### INTRODUCTION

#### General

In order to provide a meaningful grouping of administration expenditure guidance has been taken from the Code of Practice for Best Value Accounting for Local Authorities. This guidance focuses on costs to be excluded from the total cost of service provision. This requires an apportionment of all support service costs and some overheads within this total cost. Costs not to be so apportioned will thus be described as administration and will be made up of corporate core headquarters costs and central overheads that cannot be apportioned.

This expenditure will include the costs associated with the Board's responsibilities for the planning and commissioning of health care for its resident population but not those costs associated with the provision of health care and non clinical services. Expenditure to be included will cover: -

- Administration of the Board and its committees including board members' remuneration and corporate management costs.
- Statutory reporting such as annual accounts and SGHSCD returns and corporate governance.
- Strategic planning, policy and assessment of need including advisory and support services, e.g. GP Medical advisory groups and locality co-ordination, medical prescribing advisers, Standard Immunisation and Recall Services (SIRS). Performance monitoring and reporting.
- Commissioning of health care - service agreement negotiation and monitoring.
- Treasury management and strategic financial planning such as strategic management of banking, financial projections, allocation and monitoring of funding.
- Public Relations such as arrangements for dealing with press and publicity.
- Other headquarters costs or expenditure relating to commissioning or strategic development of other board services.

#### Agency Services

Where a Trading Agency administered by the Board has been set up only the expenditure charged to the Board for that service should be recorded in Note 6.

#### Internal Audit Fees

When a Trading Agency administered by the Board has been set up to provide Internal Audit only the expenditure charged to the Board for the service should be recorded in Note 6.

#### Other Services

Where any other services are administered by the Board on a Trading Agency basis the expenditure charged to the Board for the service should be recorded in Note 6.

**EXPENDITURE****Board Members Remuneration**

To include the cost of the Chairman and all executive and non-executive Board members remuneration only. The total should agree to the total of executive and non-executive Board members remuneration per note 2(a).

**Administration of Board Meetings and Committees**

To include the cost of staff, supplies, services and overheads for the administration or support of the Board and its committees, or proportion thereof where this may be appropriate. No apportionment should be made for the proportion of Executive Board members for their roles as Senior Officers.

**Corporate Governance and Statutory Reporting**

To include the cost of staff, supplies, services and overheads for Corporate Governance of the Board and its Statutory Reporting duties, including any costs of audit and governance committees and the charge payable to Audit Scotland for the audit of the accounts for the financial year.

**Health Planning, Commissioning and Performance Reporting**

To include the cost of staff, supplies, services and overheads for Health Planning, Commissioning of Healthcare and Performance Reporting and related expenses for service agreement negotiation and monitoring as detailed above.

**Treasury Management and Financial Planning**

To include the cost of staff, supplies, services and overheads for Treasury Management and Financial Planning, as detailed above.

**Public Relations**

To include the cost of staff, supplies, services and overheads for Public Relations, as detailed above.

**Other**

To include the cost of staff, supplies, services and overheads for other headquarters functions or expenditure relating to commissioning or strategic development of other board services.

**Total Administration Costs**

This is the gross total of the above administration costs for the Board and its role in planning, policy, and commissioning of health care for its resident population, carried to the Statement of Comprehensive Net Expenditure.

## OTHER NON CLINICAL SERVICES

### INTRODUCTION

#### Definition of Other Non Clinical Services

This category of expenditure covers those ancillary services which are provided by Boards but can not be classified as clinical health care. In general, these are services which do not fall into the categories of Hospital and Community Health Care, Family Health Services or Board Administration. This form should therefore include all services which can not be appropriately charged elsewhere.

#### Nurse Teaching - Net NHS Board Costs

Expenditure incurred by NHS Boards relating to pre-registration nurse teaching undertaken by Nurse Education Providers (NEPs) should be reported here e.g. property costs of accommodation owned by NHS Boards but leased to NEPs. training costs for nursing staff employed by Health Boards should be charged to Note 4.

#### Occupational Health

This line has been deleted. The cost of the Occupational Health Services for the Board's own staff should be reported in Notes 4 to 7. Expenditure relating to OHS for other organisations should be reported in the 'Shared Services' line below.

#### Closed Hospital Charges

Include capital charges, security, maintenance and cleaning costs of closed hospitals that are held by the NHS board. Costs of redundant headquarters properties are not to be included on this line.

#### Compensation Costs - Clinical & Medical Negligence Other

This includes the change in provisions or accruals for all compensation payments and the cost of any settlements not previously provided for. Separate disclosure is required for clinical and medical negligence and other compensation payment. Legal costs relating to compensation payments should also be included here.

#### Pension Enhancement & Redundancy

Include the change in provisions or accruals for all pension enhancement and permanent injury benefits, the cost of redundancy payments and all early departure costs which continue to be met by the Board.

#### Patients' Travel - Attending Hospitals

Travelling expenses of patients attending hospitals can only be charged here if the payment of the expenses has received the prior approval of the Department of Social Security in accordance with the National Health Service (Expenses in Attending Hospitals) (Scotland) Regulations, 1974, SI No 486, or if the expenses are for transfer between hospitals, or relate to mental patients on trial or licence. (SHM 46/1971 refers). The expenses of mental or mental handicapped patients discharged from hospital should also be charged to this item. The expenses of an escort, other than a hospital employee, are payable by the patient or by the Department of Social Security.

#### Patients' Travel - Highlands and Islands Scheme

Instructions were issued to the appropriate hospital authorities about the reimbursement of travelling expenses incurred by patients and escorts resident or working in the Highlands and Islands in travelling to hospital. Expenditure under this scheme should be recorded here. Expenses paid to a claimant who has received prior approval from the Department of Social Security should be charged to the line above.



**Health Promotion**

Expenditure incurred by the NHS board on health promotion carried out by or specifically funded by the NHS board. This should include health promotion carried out as part of the services covered by contracts for the provision of healthcare and expenditure previously included as hospital and community health.

**Public Health**

Expenditure incurred by the NHS board in the provision of the statutory Public Health function carried out by or specifically funded by the NHS board.

**Public Health Medicine Trainees**

Expenditure funded from NHS Education for Scotland income should be recorded here and should include only the basic pay of trainees in public health medicine. ADHs and other allowances funded from general allocations should be included in Public Health Expenditure above; supplies and overheads should also be excluded.

**Emergency Planning**

Expenditure associated with the Board's responsibility relating to Emergency Planning should be reported in this line.

**Post Graduate Medical Education**

Expenditure incurred in the administration of the Post Graduate Medical Education Committees should be recorded here. (SHM 1/1973 refers). To include staff costs, supplies, services and overheads related to the administration of Post Graduate Education Committees.

**Shared Services**

This is the gross cost of providing Agency Services by a lead NHS Board, less any amount allocated to administration costs in Note 6. Any related income should be disclosed within Note 8. For example, a NHS Board may provide 'Internal Audit' service to several NHS bodies within their geographical area. The lead NHS board should report the gross cost of this service within their accounts rather than netting off the income received by other NHS Boards.

**Loss on Disposal of Non-current Assets**

This relates to the sales proceeds of intangible assets, property, plant and equipment that are lower than their net book value on disposal. This difference should be shown here where the assets do not relate to the expenditure charged in any of the other notes, nor within the other lines of this note. This may be the case where properties were declared surplus prior to disposal and were no longer in use.

**Other Board Services**

Expenditure incurred by the NHS board in the provision of other ancillary services, including contributions made to the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) should be reported here.

**OPERATING INCOME****INTRODUCTION****INCOME - DEFINITION**

This note records income receivable by Boards, reflecting their unified board status. Income is split between HCH activities, FHS, administration and other operating income. Where possible, the income in this note should be recorded so that it is matched against the relevant expenditure when it is brought forward to the Statement of Comprehensive Net Expenditure. Income does not include RRL funding allocated by the SGHSCD but it does include all funding provided by NHSScotland bodies, including Cross boundary funding for unplanned activities and funding to cover the provision of specified services by agreement with other NHSScotland bodies.

Income should only be accounted for where it is actual trading income and not an internal recharge or the simply supply of paymaster or stores services to another body. For instance, the income generated from a hospital canteen would be treated as income but GP staff on a Board's payroll that are recharged, would not. The key defining factor is that the Board must be acting as the principal as set out in IAS 18. In summary income should be recognised when the amount of income can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Board.

**HCH Income**

This section discloses the income of the Board for health care functions. This includes patient care income generated from other Boards, private patient income, RTA income, and income paid for by other agencies.

**NHSScotland Bodies**

These lines should be used to record all income for HCH activities receivable from other NHSScotland Bodies. They now separate income between SGHSCD (not RRL income) and NHS Boards. An example of SGHSCD income here would be where the NHS invoiced SG for the salaries of secondees and SG settled this invoice.

**NHS Non-Scottish Bodies**

This line should be used to record all income for HCH activities receivable from other NHS Non-Scottish Bodies.

**Non NHS****Private patients**

This line records all income receivable in respect of private patients.

**Compensation Income**

This line records all income receivable in respect of treatment of compensation patients under the new NHS Cost Recovery Scheme ([HDL 2007\(5\)](#)).

**Other**

This entry records all income receivable for the provision of patient care from agencies other than those detailed above. This line can also be used to properly match income with expenditure.

**Total HCH Income**

This entry is the sum of the lines outlined above and is carried forward to the Statement of Comprehensive Net Expenditure.

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**FHS**

This section records total income receivable by Boards, or NSS on Boards' behalf or retained by contractors in respect of patients contributions towards General Prescription, General Dental, General Ophthalmic or Primary Medical Services.

**Unified (Pharmaceutical Services)**

Include here the value of the income for Pharmaceutical services.

**Non Discretionary****General Dental Services**

Boards should provide a summary of Non discretionary income in respect of GDS receipts. These will comprise:

The value of dental charges not collected due to approved remissions.

Statutory dental charges to patients including remissions and emergency dental charges.

The sum collected should include:

- 1) Dental charges collected from patients at Health Centres for treatment given by salaried dentists.
- 2) Charges recovered as a result of the checking procedures in NHS Circular 1979 (GEN) 9.
- 3) Charges collected under local arrangements.

**General Ophthalmic Services**

Boards should provide a summary of Non discretionary income in respect of GOS receipts. These will comprise: -

Ophthalmic Charges - Collected in Cash

Sums received by the Board from patients in respect of charges due (SHHD/DS (78) 77 refers).

**Total FHS Income**

This entry is the sum of the lines outlined above and is carried forward to the Statement of Comprehensive Net Expenditure.

**Administration Income**

This section discloses income receivable by the Board for activities not directly linked to HCH and FHS Patient Services. This should relate to income in respect of those functions specified to be included in the expenditure reported in note 6 and is carried forward to the Statement of Comprehensive Net Expenditure.

**Other Operating Income**

This section discloses income receivable by the Board for activities not directly linked to HCH and FHS Patient Services. This should relate to income in respect of those functions specified to be included in the expenditure reported in note 7 and income that does not belong elsewhere.

## Unified Board Accounts Manual

**NHSScotland Bodies**

This line should be used to record all income for other operating activities received and receivable from other NHSScotland Bodies.

**NHS Non-Scottish Bodies**

This line should be used to record all income for other operating activities received and receivable from other NHS Non-Scottish bodies.

**SGHSCD**

This line should be used to record all income for other operating activities received and receivable from SGHSCD.

**Contributions in respect of Clinical/Medical and Other Claims**

This entry should represent the amounts receivable e.g. from Clinical Negligence and Other Risks Indemnity Scheme (CNORIS), towards clinical/medical negligence and other claims to be met by the board.

**Profit on Disposal of Non-current Assets**

This relates to the sales proceeds of intangible assets, property, plant and equipment that are greater than their net book value on disposal.

**Interest Received**

This should include all income from interest received and receivable from all sources, including bank interest and interest on loans and receivables calculated under the effective interest method.

**Shared Services**

This is the gross income recharged for providing Agency Services by a lead NHS Board, corresponding to related expenditure disclosed within Note 7. For example, a NHS Board may provide 'Internal Audit' service to several NHS bodies within their geographical area. The lead NHS board should report the gross cost of this service within their accounts rather than netting off the income received by other NHS Boards.

**Other Income**

This entry should include income for services that do not include episodes of patient care (such as pathology department charges); general services and common services charges; income generation receipts; staff canteen receipts; and sundry items of income which are not appropriate to any of the above headings or direct credits.

**Total Other Operating Income**

This entry is the sum of the lines outlined above and is carried forward to the Statement of Comprehensive Net Expenditure.

**Total Income**

This entry is the sum of all the headings outlined above and represents the total income shown in the Statement of Comprehensive Net Expenditure.

**ANALYSIS OF CAPITAL EXPENDITURE****INTRODUCTION**

This note analyses the composition of capital expenditure from expenditure on additions to intangible assets and purchased property, plant and equipment. and also income from disposals of intangible assets, property, plant and equipment, donated assets and non-current assets held for sale. Net capital expenditure should equate to the cost of additions less the net book value of disposals in the non-current asset notes.

The net capital expenditure is then compared against the Capital Resource Limit (CRL) in the Summary of Capital Resource Outturn to determine the saving/excess against the CRL.

**EXPENDITURE****Acquisition of Intangible Assets**

This line discloses the cost of additions to Intangible Assets and should agree with the value of additions shown in note 10.

**Acquisition of Property, plant and equipment**

This line discloses the cost of additions to Property, Plant and Equipment and should agree with the value of additions shown in note 11a.

**Donated Assets Additions**

This line discloses the cost of additions to Donated Non current assets and should agree with the value of additions shown in note 11b.

**Hub Expenditure**

This line discloses the cost of investment in subordinated debt in HUB projects.

**Gross Capital Expenditure**

This entry is the sum of the lines outlined above.

**INCOME****Net Book Value of Disposals of Intangible Assets**

This line discloses the net book value of disposals of Intangible assets and should agree with the value of disposals shown in note 10.

**Net Book Value of Disposals of Property, plant and equipment**

This line discloses the net book value of disposals of Property, Plant and Equipment and should agree with the value of disposals shown in note 11a.

**Net Book Value of Disposals of Donated assets**

This line discloses the net book value of disposals of Donated assets and should agree with the value of disposals shown in Note 11b.

**Value of Disposals of Non-Current Assets Held for Sale**

This line discloses the value of disposals of Non-current Assets Held for Sale.

**Donated Asset Income**

This line discloses the value of asset additions that have been funded through donations.

**Gross Capital Income**

This entry is the sum of the lines outlined above.

**Net Capital Expenditure**

This entry is the difference between Gross Capital Expenditure and Gross Capital Income above and is carried forward to the Summary of Capital Resource Outturn below.

**SUMMARY OF CAPITAL RESOURCE OUTTURN****Core Capital Expenditure**

This is all expenditure disclosed above that scores as core capital expenditure.

**Core Capital Resource Limit**

This entry should be taken from the Core Capital Resource Limit (CRL) notified by the SGHSCD and disclosed on SFR1.

**Saving (Excess) Against Core Capital Resource Limit**

This entry is the difference between Net Core Capital Expenditure and the Core CRL disclosed above and will be shown in the directors' report.

**Non Core Capital Expenditure**

This is all expenditure disclosed above that scores as non core capital expenditure. This should only relate to capital expenditure on PFI schemes.

**Non Core Capital Resource Limit**

This entry should be taken from the Non Core CRL notified by the SGHSCD and disclosed on SFR1.

**Saving (Excess) Against Non Core Capital Resource Limit**

This entry is the difference between Net Non Core Capital Expenditure and the Non Core CRL disclosed above and will be shown in the directors' report.

**Saving (Excess) Against Total Capital Resource Limit**

This should be the sum of the saving (excess) against core and non core capital resource limits.

## INTANGIBLE ASSETS

### INTRODUCTION

#### General

##### Software licences

The right to use software developed by third parties.

##### Information technology - Software

Software developed in-house or by third parties (but not software licences). Does not include software which is integral to the related information technology hardware. An example of integral software is operating system software. An example of software which is not integral is application software.

##### EC Greenhouse Gas Emission Allowance Trading Directive

In January 2005 the European Union Greenhouse Gas Emission Trading Scheme (EU ETS) commenced operation as the largest multi-country, multi-sector, Greenhouse Gas Emission Trading Scheme, world-wide. The scheme is based on [Directive 2003/87/EC](#), which came into force on 25 October 2003. However, no guidance for accounting for such schemes formed part of the EU Greenhouse Gas Emission Allowance Trading Directive.

In November 2005, the FRAB produced [FRAB \(76\) 09](#) which considered the accounting implications of the EC Greenhouse Gas Emission Allowance Trading Directive. Owing to the importance of the scheme, separate guidance was issued on emission rights.

##### Cap and Trade Scheme

A cap and trade scheme gives rise to an asset for allowances held, a government grant and a liability for the obligation to deliver allowances equal to emission that have been made. Allowances, whether allocated by government or purchased, should be recognised as assets. Allowances intended to be held for use on a continuing basis should be classified as current or non-current intangible assets. The same measurement requirements apply to all intangible assets. Allowances that are issued for less than their fair value shall be measured initially at their fair value.

Allowances, whether issued by government or purchased, are intangible assets if they are held for use on a continuing basis. Allowances that are issued for less than their fair value shall be measured initially at their fair value.

When allowances are issued for less than their fair value, the difference between the amount paid and fair value represents a government grant that is subject to a condition, as per the interpretation of IAS 20. The income element should be deferred and released to the Statement of Comprehensive Net Expenditure as the liability to emit greenhouse gases is recognised through the Statement of Comprehensive Net Expenditure. The allowances should be revalued in the same way as all non-current assets.

As emissions are made a liability is recognised for the obligation to deliver allowances equal to emissions that have been made. This liability is a provision. It shall be measured at the best estimate of the expenditure required to settle the present obligation at the reporting period date. This will usually be the present market price of the number of allowances required to cover emissions made up to the reporting period date.

The [FReM](#) has a [worked example](#) which outlines the relevant accounting transactions included in this scheme.

**Websites**

This relates to web-sites that have been capitalised in compliance with the terms of the [FReM](#) and the Capital Accounting Manual

**Other intangible assets**

This includes development expenditure; licences, trademarks and artistic originals; patents – inventions that are afforded patent protection; and goodwill.

The treatment and disclosure accorded to intangible assets should be discussed and cleared in advance with the Scottish Government.

The format of the Note shows the basic information to be disclosed in the annual accounts in respect of such items.

**Assets under development**

This relates to software and websites that are in the process of construction and are not currently operational.

In addition, disclosure is also required of the NBV of software and websites as at the year end.

**Cost or valuation at start of year**

This is the gross cost or value of all assets in each category at 1st April, brought forward from the closing balances at the end of the previous year.

**Additions**

This represents the total value of assets acquired during the year including any assets transferred from other NHSScotland bodies.

**Donations**

The current value of assets in each category donated during the year.

**Transfers**

This line records the gross cost or valuation of transfers between intangible asset categories within a board. Assets transferred to and from other NHSScotland bodies should be included in additions and disposals as appropriate.

Total transfers should equal nil across all fixed asset categories.

**Disposals**

This represents the gross cost or value of assets sold or otherwise disposed of. See also the corresponding amortisation line.

**Transfers to non-current assets held for sale**

This line records the gross cost or valuation of assets which meet the criteria under IFRS 5 to be classified as a non-current asset held for sale and as such have been reclassified to the non-current asset held for sale note (note 11c).

**Revaluation**

This line, along with the corresponding amortisation line, represents the change in the current value of assets arising from indexation or specific revaluation.

**Impairment Charge**

This line, along with the corresponding amortisation line, represents the decrease in the current value of assets arising from impairment.



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**Impairment Reversal**

This, together with the corresponding amortisation line, represents the reversal of impairments previously recognised.

For further guidance on revaluations and/or impairments, please refer to the Capital Accounting Manual.

**Amortisation****As at 1 April**

This represents the opening total accumulated amortisation at 1 April and should include fully amortised assets.

**Provided During the Year**

This represents the amortisation provided during the year which has been charged to the Statement of Comprehensive Net Expenditure as part of Capital Charges.

**Transfers**

This line is used to record the accumulated amortisation element of transfers between intangible asset categories within a board.

**Disposals**

This represents the total accumulated amortisation of assets sold or otherwise disposed of during the year.

**Transfers to non-current assets held for sale**

This line records the accumulated amortisation of assets which meet the criteria under IFRS 5 to be classified as a non-current asset held for sale and as such have been reclassified to the non-current asset held for sale note (note 11c).

**Revaluation**

This line, along with the corresponding amortisation line, represents the change in the current value of assets arising from indexation or specific revaluation.

**Impairment Charge**

This should disclose the change to accumulated amortisation arising from an impairment which has been charged to the SOCNE.

**Impairment Reversal**

This should disclose the change to accumulated amortisation arising from the reversal of impairments previously incurred.

**Net Book Value at 1 April**

This is the net of cost or valuation and accumulated amortisation at the start of the year.

**Net Book Value at 31 March**

This is the net of cost or valuation and accumulated amortisation at the end of the year, taking account of transactions disclosed above.

**PROPERTY, PLANT AND EQUIPMENT****INTRODUCTION****General**

This form analyses by major category the total value of the NHS Board's capital and donated non current assets and the movements during the year. Donated Assets are disclosed on an additional table.

**Capitalisation of costs: NHS Staff Costs**

Capital costs include pay and related expenses of staff who are directly engaged on duties directly attributable to the acquisition of specific non current assets or capital schemes, e.g. Project Managers/Clerks of Works etc. but not including staff employed to administer the capital expenditure programme of the Board. These latter costs should be charged to revenue administration. Capitalised staff costs are disclosed in Note 2(a).

**Capitalisation of costs: Borrowing Costs**

Where specific borrowing has been used to finance qualifying assets, the borrowing costs should be expensed in accordance with the FReM.

**Revaluation**

For the rolling programme of revaluation, details of the valuer, his qualification and the method of computing the values have to be given. The footnote covers all these points except that the NHS board would have to insert the name of the particular firm who carried out the valuation.

Suggested footnote:

'The 5 year programme of valuations this year included xx properties and associated fixtures and was carried out by [Insert Appointed Valuer]. The basis of valuation was depreciated replacement cost for specialised properties and market value for non-specialised or surplus properties which don't meet the definition of non-current assets held for sale (see note 11c). The values were computed in accordance with the Royal Institution of Chartered Surveyors Statement of Asset Valuation Practice and Guidance Notes, subject to the special requirements of the accounting practices of the NHS.

The values of properties not subject to full revaluation this year were adjusted to take account of movements in prices since their last full revaluation. Appropriate indices have been consistently applied to the values of other assets not comprising properties.

The effect of the valuation on the asset categories are shown above.'

**Land**

Any land holdings and land underlying buildings.

**Buildings (excluding dwellings)**

Offices, warehouses, hospitals and multi-storey car parks etc. Any underlying or associated land should be separately disclosed as noted above.

**Dwellings**

Buildings that are used entirely or primarily as residences, including any associated structures such as garages. Any underlying and associated land, such as gardens and yards should be separately disclosed.

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**Transport Equipment**

Equipment for moving people and/or objects, e.g. cars, lorries, trains, ambulances and aircraft.

**Plant and Machinery**

Plant and machinery used by the service, which should include medical equipment.

**Information Technology**

Hardware used for processing data and communications. Does not include software which is not integral to the related hardware. An example of integral software is operating system software. An example of software which is not integral is application software.

**Furniture and Fittings**

Office fittings, furniture, showcases, shelving, etc.

**Assets Under Construction**

Assets that are currently being built but are not yet in use. This includes projects which will result in a capital asset when complete. These are valued at expenditure to date or, in the case of land and buildings transferred from operational use, at market value. No depreciation should be charged on assets under construction.

**Donated Assets**

Assets donated by third parties, either by gift of the asset or by way of funds to acquire assets should be capitalised at fair value on receipt. Where the value of the services provided by an asset will be less than the fair value of the asset because it is over-specified for its intended use, the lower value should be used.

Donated assets are revalued, depreciated and subject to impairment in the same way as purchased assets.

Annual depreciation and impairment is charged to the Statement of Comprehensive Net Expenditure.

**Cost or valuation at start of year**

This is the gross cost or value of all assets in each category at 1st April, brought forward from the closing balances at the end of the previous year. It includes those assets that are surplus to requirements but which do not meet the criteria to be classified as non-current assets held for sale (note 11c).

**Additions**

This represents the total value of assets acquired during the year including any assets transferred from other NHSScotland bodies. Expenditure on assets under construction would be included on this line, but the transfer of the completed assets would be included on the line for completions.

**Completions**

The current value of assets in each category transferred during the year from Assets Under Construction. The total of this line should be nil across all fixed asset categories.

**Transfers**

This line records the gross cost or valuation of transfers between fixed asset categories within a board.

Assets transferred to and from other NHSScotland bodies should be included in additions and disposals as appropriate.

Total transfers should equal nil across all fixed asset categories.

**Revaluation**

This line, along with the corresponding depreciation line, represents the change in the current value of assets arising from the year end revaluation or indexation.

**Impairment Charge**

This line, along with the corresponding amortisation line, represents the decrease in the current value of assets arising from impairment.

**Impairment reversal**

This, together with the corresponding amortisation line, represents the reversal of impairments previously recognised.

For further guidance on revaluations and/or impairments, please refer to the Capital Accounting Manual.

**Disposals**

This represents the gross cost or value of assets sold or otherwise disposed of. The accumulated depreciation should be deducted in the relevant line below.

**Transfers to non-current assets held for sale**

This line records the gross cost or value of assets which meet the criteria under IFRS 5 to be classified as a non-current asset held for sale and as such have been reclassified to the non-current asset held for sale note (note 11c).

**Accumulated Depreciation at start of year**

This represents the opening total of accumulated depreciation at 1 April and should include depreciation on fully depreciated assets. It excludes depreciation on building assets transferred on 1 April. Note that land is not depreciated so there are no entries here.

**Depreciation Provided During the Year**

This represents the depreciation provided during the year which has been charged to the Statement of Comprehensive Net Expenditure.

**Transfers**

This line is used to record the accumulated depreciation element of transfers between fixed asset categories within a board.

**Depreciation - Revaluation**

This line contains the adjustment for revaluation or indexation on accumulated depreciation. Any amounts written back should not exceed the accumulated depreciation for the class of asset.

**Depreciation – Impairment charge**

This line contains the write-back in the value of accumulated depreciation arising from an impairment which has been charged to the SOCNE.

**Depreciation – Impairment reversal**

This line contains the write-off in the value of accumulated depreciation arising from an impairment which had previously been charged to the SOCNE and is now being reversed.

**Depreciation - Disposals**

This represents the total accumulated depreciation of assets sold, transferred to non-current assets held for sale or otherwise disposed of during the year.

**Depreciation - Transfers to non-current assets held for sale**

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This line records the accumulated amortisation of assets which meet the criteria under IFRS 5 to be classified as a non-current asset held for sale and as such have been reclassified to the non-current asset held for sale note (note 11c).

**Net Book Value at 1 April**

This is the net of cost or valuation and accumulated depreciation at the start of the year.

**Net Book Value at 31 March**

This is the net of cost or valuation and accumulated depreciation at the end of the year, taking account of transactions disclosed above.

**Open Market Value of Land, Buildings and Dwellings Included Above**

This is the value of land included above in the value of Land, Buildings and Dwellings.

**Net book value of tangible fixed asset at 31 March (note 11(a) and note 11(b))**

The total net book value per each asset category above at 31 March should be analysed between:

- Owned assets
- Assets financed by finance lease or higher purchase contracts that fall to be treated as finance leases
- On-balance sheet PFI/PPP contracts

**Note 11c – [Non-current] assets held for sale****General**

Under IFRS 5, a Board must reclassify a non-current asset as held for sale if it expects to recover its carrying amount principally through the sale of the asset. In practice, this means that the asset must be available for immediate sale in its present condition and its sale must be highly probable. i.e.:

- management must be committed to sell the asset;
- an active programme must have been initiated to locate a buyer and complete the sale;
- the asset must be actively marketed for sale at a price reasonable to its fair value;
- the sale is expected to be complete within one year of the date of classification as 'held for sale'; or
- the remaining actions to complete the sale indicate that the plan is unlikely to change significantly or the sale to be abandoned.

The sale date may only extend beyond one year from the date of classification as held for sale when a delay is caused by events outside the Board's control. Additionally the Board must demonstrate that it remains committed to the plan to sell the non-current asset. However such an extension is subject to conditions and therefore in such situations please consult with the SGHSCD.

Where an asset is classified as held for sale after the balance sheet date, it is not restated in the balance sheet, but if the reclassification occurs before the authorisation of the financial statements for issue, some disclosures about the asset may need to be included in the note for events after the end of the reporting period if material.

An asset classified as held for sale is measured at the lower of:

- its carrying amount; or
- its fair value less any disposal costs.

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Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. Note that the costs must be incremental; internal costs are not excluded from the definition, but would not generally be expected to be incremental.

If fair value less costs to sell is lower than the carrying value of the non-current asset when they are classified as held for sale, IFRS 5 requires an impairment loss to be recorded on classification as held for sale.

Non-current assets that are classified as held for sale should not be depreciated.

At each reporting date where a non-current asset or disposal group continues to be classified as held for sale it should be re-measured at the lower of carrying amount and fair value less costs to sell.

**Disclosure**

Non-current assets held-for-sale must be presented separately from other assets in the balance sheet.

The major classes of assets that comprise non-current assets held for sale should be separately disclosed.

In the year in which a non-current assets held for sale has been classified as held for sale or sold the following should be disclosed:

- A description of the asset or disposal group;
- A description of the facts and circumstances of the sale or those leading to an expected disposal, and the expected method and timing of the disposal;
- Any gain or loss recognised on initial classification and subsequent measurement following classification as non-current assets held for sale; and
- The segment that the non-current asset is part of.

An analysis of the movement in the non-current assets held for sale balance during the period should be provided to assist linkage to other notes in the accounts.

**Opening Balance**

The figure should agree with the comparative amounts disclosed in the previous year.

**Transfers to/from property, plant and equipment**

This represents the total value of assets transferred to/from property, plant and equipment and should agree to the corresponding part of note 11.

**Transfers to/from intangible assets**

This represents the total value of assets transferred to/from intangible assets and should agree to the corresponding part of note 10.

**Gains/losses on re-measurement of non-current assets held for sale**

An asset classified as held for sale is measured at the lower of its:

- its carrying amount; or
- its fair value less any disposal costs.

This represents the change in the value of non-current assets held for sale.

**Disposals**

This represents the total value of assets disposed during the year including any assets transferred to other NHSScotland bodies.

**Closing Balance**

The figures should agree with the amounts disclosed for the current year.

**Note 11(d) – Property, Plant and Equipment Disclosures****Net book value of tangible fixed asset at 31 March (note 11(c))****Purchased**

The total net book value of purchased tangible non current assets taken from note 11(a).

**Donated**

The total net book value of donated tangible non current assets taken from note 11(b).

**Total**

The total net book value of tangible non current assets disclosed in the balance sheet.

**Net book value related to land valued at open market value at 31 March**

Amount of land valued at open market value included above.

**Net book value related to buildings valued at open market value at 31 March**

Amount of buildings valued at open market value included above.

**Assets held under finance leases and HP contracts**

Where the NHS board holds assets under finance leases or hire purchase contracts that fall to be treated as finance leases, the NBV of the assets so held should be shown here.

**Total value of assets held under PFI/PPP Contracts**

Similarly where the NHS board holds assets under PFI or PPP contracts that fall to be treated as on balance sheet, the NBV of the assets so held should be shown here.

**Depreciation of assets held under finance leases and HP contracts**

The total amount of depreciation charged in the Statement of Comprehensive Net Expenditure in respect of assets held under finance leases and hire purchase contracts should be shown here.

**Depreciation of assets held under PFI and PPP contracts**

Similarly the total amount of depreciation charged in the Statement of Comprehensive Net Expenditure in respect of assets held on-balance-sheet under PFI/PPP contracts should be shown here.

**PROPERTY, PLANT AND EQUIPMENT DISCLOSURES (note 11(d))****Purchased**

The total net book value of purchased tangible fixed assets taken from note 11 (a).

**Donated**

The total net book value of donated tangible fixed assets taken from note 11 (b).

**Total**

The total net book value of tangible fixed assets disclosed in the balance sheet.

**Net book value related to land valued at open market value at 31 March**

Amount of land valued at open market value included above.

**Net book value related to buildings valued at open market value at 31 March**

Amount of buildings valued at open market value included above.

**Assets held under finance leases and HP contracts**

Where the NHS board holds assets under finance leases or hire purchase contracts that fall to be treated as finance leases, the NBV of the assets so held should be shown here.

**Total value of assets held under PFI/PPP Contracts**

Similarly where the NHS board holds assets under PFI or PPP contracts that fall to be treated as on balance sheet, the NBV of the assets so held should be shown here.

**Depreciation of assets held under finance leases and HP contracts**

The total amount of depreciation charged in the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts should be shown here.

**Depreciation of assets held under PFI and PPP contracts**

Similarly the total amount of depreciation charged in the Operating Cost Statement in respect of assets held on-balance-sheet under PFI/PPP contracts should be shown here.



## INVENTORIES AND WORK IN PROGRESS

### INTRODUCTION

This note provides an analysis of physical inventories held by the Board at the balance sheet date. In addition to directly consumable items inventories should include any products at intermediate stages of completion and finished goods where processing or manufacture of such items is carried out by the Board.

Work undertaken by the Board under contracts for the provision of health care and associated services should not be accounted for as work in progress.

The valuation of inventories should be undertaken in accordance with IAS 2 as adapted by section 10.2.3 of the FReM. That is, inventories will normally be stated at the lower of current cost and net realisable value on an item by item basis.

Where there are deferred payment terms for the purchase of inventories, this is regarded as a financing arrangement and the difference between the price that would have been paid for 'normal' credit terms and the actual amount paid should be recognised as an interest expense over the period of the financing.

Comparative figures for the previous year should be presented alongside the current year values.

### Notes on completion

#### Raw materials and consumables

This should show the total value of items held by the Board as consumable stores and as supplies for manufacturing and processing prior to use.

#### Work in progress

This should show the total value of items within the process of manufacture.

#### Finished goods

This should show the total value of inventories of goods after completion of manufacture or processing where processing or manufacture of such items is carried out by the Board.

#### Total Inventories

This is the sum of the entries above and represent the total value of inventories and work in progress, corresponding to the amount shown on the face of the balance sheet.

## TRADE AND OTHER RECEIVABLES

### INTRODUCTION

The purpose of this Note is to identify the Board's receivables and the sector to which they relate. Trade and Other Receivables are defined as amounts receivable by the Board after the impairment of receivables (as general provisions for bad debts are no longer allowable). Increases or decreases in the level of the impairment of receivables should be accounted for as expenditure in the Statement of Comprehensive Net Expenditure and separately disclosed in this note.

Comparative figures for the previous year should be presented alongside the current year values.

Any amounts recoverable after more than one year should be separately identified.

Any significant amounts should be disclosed separately.

### Notes on completion

#### RECEIVABLES DUE WITHIN ONE YEAR

##### NHSScotland

Boards should analyse NHSScotland receivables over the following headings:

##### Scottish Government Health and Social Care Directorates (SGHSCD)

The figure to be recorded here is the amount related to miscellaneous income due to the Board from the SGHSCD. No receivables figure should be created against the SGHSCD in respect of the revenue or capital resource limits.

##### Boards

The figure to be recorded here is the amount related to income due to the Board from any NHS Board or Special Health Board in Scotland.

##### TOTAL NHSScotland

This is the total of the above lines and represents the amounts due to the Board from all NHS sources within Scotland.

##### NHS Non-Scottish Bodies

This line should be used to record all receivables from other NHS Non-Scottish bodies.

##### General Fund Debtor

This figure will equate to the closing net debt as shown at the foot of the Cash Flow Statement.

##### VAT Recoverable

The figure to be recorded here is the total of amounts due from HM Revenue and Customs for VAT recoverable, as recorded in SFR30.1.

##### Prepayments

The figure to be recorded here includes any payments in advance of the benefit being received from any Non NHSScotland sources.

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**Accrued Income**

The figure to be recorded here includes any services provided but yet to be invoiced from any Non NHSScotland sources.

**Other Receivables**

This is the total of receivables from all other sources, including staff, private patients, and purchasers, other than those included in the lines above. All material items included under this heading should be separately disclosed.

**Reimbursement of provisions**

Amounts receivable to offset provisions. Include amounts receivable from the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS).

Health bodies may receive a reimbursement from CNORIS to offset against their provision. For 'new' claims, health bodies will be expected to contribute a set amount against the claim (£25k). The health body should create a debtor for the remaining balance. The provision and related debtor must be shown GROSS; the debtor should NOT be netted off against the Provision.

**Other Public Sector Bodies**

This is the total of receivables due from other public sector bodies taken from the total disclosed in SFR 30.1 and SFR30.2, excluding NHS Non-Scottish bodies, VAT Recoverable and amounts due after more than one year.

**Other Significant Receivables**

Any significant receivables due within one year not included in the above classifications should be separately disclosed in these lines.

**Total Receivables due within one year**

This is the sum of the lines above disclosed in the balance sheet.

**RECEIVABLES DUE AFTER MORE THAN ONE YEAR**

This includes any debtor balances due to be settled more than one year after the balance sheet date, analysed into the categories listed, as described above.

**TOTAL RECEIVABLES DUE AFTER MORE THAN ONE YEAR**

This is the sum of the lines above disclosed in the balance sheet.

**TOTAL RECEIVABLES**

This is the sum of all lines.

**Provision for impairment of receivables**

This includes any bad debt provision netted off against the total receivables.

**WHOLE OF GOVERNMENT ACCOUNTS CLASSIFICATION**

The total receivables balance above should be analysed into the categories below.

**NHSScotland**

This is the total of the above NHSScotland lines and represents the amounts due to the Board from all NHS sources within Scotland. The amount disclosed should agree to SFR 30.

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**Central Government Bodies**

This represents the amounts due to the Board from Central Government Bodies, including Scottish Government Departments, Executive Agencies, Scottish NDPBs and Other UK Central Government Bodies. The amount disclosed should agree to SFR 30.1.

**Whole of Government Bodies**

This represents the amounts due to the Board from Whole of Government Bodies, including Scottish Councils, NHS Trusts and Other Whole of Government Bodies. The amount disclosed should agree to SFR 30.2.

**Balances with NHS Bodies in England and Wales**

This represents the amounts due to the Board from NHS bodies in England and Wales.

**Balances with bodies external to Government**

This represents the amounts due to the Board from bodies external to Government.

**Total**

This is the sum of all lines and should agree to the total receivables figure above.

**MOVEMENT ON THE PROVISION FOR IMPAIRMENT OF RECEIVABLES****Opening Balance**

The figure should agree with the comparative amount disclosed in the previous year.

**Provision for impairment**

Additions to the provisions charged to the Statement of Comprehensive Net Expenditure during the year should be shown on this line. Adjustments to the level of provision required which are charged to the Statement of Comprehensive Net Expenditure would also be included on this line.

**Receivables written off during the year as uncollectible**

This line should be used for noting where provisions have been reversed as the associated receivable has been written off as uncollectible.

**Unused amounts reversed**

This line should be used for noting where provisions have been reversed without being used. For example revisions for the amounts previously provided for that are no longer required.

**Closing Balance**

The figures should agree with the amounts disclosed for the current year.

**CREDIT RISK: FINANCIAL ASSETS THAT ARE EITHER PAST DUE OR IMPAIRED****General**

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a Board enters into a contract that requires amounts to be paid every month. On the first day of the next month, if the amount has not been paid, the amount is past due. Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings.

The Board should disclose:

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**Impaired**

Disclose the total value of financial assets that are individually determined to be impaired as at the reporting date.

Disclose the amount of provision for bad debts recognised in respect of such assets.

An analysis of the age of financial assets that are impaired. In preparing such an age analysis of financial assets, a Board uses its judgement to determine an appropriate number of time bands. The SGHSCD has determined that the following time bands are appropriate:

- Not more than three months past due.
- More than three months and not more than six months past due.
- More than six months and not more than one year past due.
- More than one year past due.

A narrative description of the factors the Board considered in determining that they are impaired.

**Past due but not impaired**

An analysis of the age of financial assets that are past due as at the reporting date but not impaired. The purpose of this disclosure is to provide users of the financial statements with information about those financial assets that are more likely to become impaired and to help users to estimate the level of future impairment losses. Thus, the entire balance which relates to the amount past due should be disclosed, rather than only the amount that is past due, as this is the amount that would be disclosed as the amount of the impaired financial assets if impairment crystallises.

In preparing such an age analysis of financial assets, a Board uses its judgement to determine an appropriate number of time bands. The SGHSCD has determined that the following time bands are appropriate:

- Not more than three months.
- More than three months and not more than six months.
- More than six months and not more than one year.
- More than one year.

A narrative description of the factors the Board considered in determining that they are not impaired although past due.

**CREDIT RISK: CREDIT QUALITY OF FINANCIAL ASSETS**

A narrative description of the Board's exposure to credit risk at the reporting date should be given.

An analysis of the credit quality of financial assets that are neither past due nor impaired should be provided. This analysis can include an analysis of credit exposures using an external or internal credit rating system; where the Board manages its credit exposures using an external credit rating system, the Board might disclose information about the carrying amounts of credit exposures for each external credit rating; historical information about counterparty default rates; any other information used to assess credit quality.

A description of collateral held as security and other credit enhancements.

**MARKET RISK**

An analysis of the carrying amount of receivables denominated in the domestic and foreign currencies. This should agree to Total Receivables.

**FAIR VALUE**

For each class of financial assets a Board should disclose the fair value of that class of asset in a way that permits it to be compared with its carrying amount.

When the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables, this should be noted.

When the carrying amount is not a reasonable approximation of fair value, fair value should be disclosed. The methods and when a valuation technique is used, the assumptions applied in determining fair values, should be disclosed.

**AVAILABLE-FOR-SALE FINANCIAL ASSETS****Introduction**

The purpose of this note is to provide an analysis of available-for-sale financial assets held by the Board. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories of financial assets. They are included in non-current assets unless the Board intends to dispose of the investment within 12 months of the balance sheet date.

Available for sale financial assets are those held as readily disposable stores of value which are disposable without business disruption. Although NHS Boards are precluded from purchasing available-for-sale investments they may have acquired them as a result of other legitimate transactions.

Short term, highly liquid investments that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value meet the definition of cash and cash equivalents and are not available for sale financial assets.

**Government securities**

This should disclose the value of UK Government securities.

**Others**

This should disclose the value of other investments. This will include investments in equity instruments of other entities.

**Total**

This is the sum of the above lines and must be the same as the amount shown for investments on the face of the balance sheet.

**Opening Balance**

The figure should agree with the comparative amounts disclosed in the previous year.

**Additions**

This represents the total value of assets acquired during the year including any assets transferred from other NHSScotland bodies.

**Disposals**

This represents the total value of assets disposed during the year including any assets transferred to other NHSScotland bodies.

**Revaluation surplus/(deficit) transferred to equity**

This represents the change in the fair value of assets arising from the year end revaluation which recognised in the general fund. For investments in unquoted equity instruments where fair value cannot be measured reliably there is an exemption from measurement at fair value and such instruments are measured at cost.

**Impairment recognised in the Statement of Comprehensive Net Expenditure**

This represents the decrease in the current value of assets arising from impairment which is recognised in the Statement of Comprehensive Net Expenditure.

**Closing Balance**

The figures should agree with the amounts disclosed for the current year.

**Impairment provision**

If the closing balance included a provision for impairment, the amount of the provision should be disclosed.

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**Current**

Available-for-sale assets should be classified as current if the Board intends to dispose of the investment within 12 months of the balance sheet date.

**Non-current**

Available-for-sale assets should be classified as in non-current assets unless the Board intends to dispose of the investment within 12 months of the balance sheet date.

**Line Narratives**

Where 'other investments' are included in the available-for-sale financial asset balance an explanation of what other investments comprises should be made. The nature of the investment and an explanation of key features, including the denomination of the investment, should be disclosed.

If the exemption from measurement at fair value has been taken, this should be disclosed.



**CASH AND CASH EQUIVALENTS****INTRODUCTION**

This form reconciles the movement in cash shown in the cash flow statement with amounts shown in the balance sheet. It shows the adjustment for overdrafts included in creditors in the balance sheet to be included in the net cash total in the cash flow statement.

**Opening Balance**

The figures should agree with the amounts disclosed in the previous year.

**Cash Flow**

This column analyses the movement in the net cash shown in the cash flow statement.

**Closing Balance**

The figures should agree with the amounts disclosed for the current year.

**Line Narratives****GBS Account Balance**

This figure should include the balance of the GBS accounts as at 31 March. As payable orders are charged to the GBS account on issue, the book balance for the GBS and the account balance should be equal.

**Cash at Bank and in Hand**

Cash which has been issued by the Department and cash collected before the end of March which is in transit should be accounted for as Cash at Bank and on hand at the end of the year. The balance included should be the cash book balance, not the balance per the bank statement.

**Total cash – balance sheet**

This should agree with the amounts disclosed in the balance sheet for cash at bank and in hand.

**Overdrafts**

This should agree with the amounts disclosed in note 16 for trade and other payables.

**Total cash – statement of cash flows**

This should agree with the amounts disclosed in the cash flow statement for net cash / debt.

**TRADE AND OTHER PAYABLES****INTRODUCTION****PAYABLES DUE WITHIN ONE YEAR**

The purpose of this note is to provide an analysis of the Board's payables (creditors) due within one year of the Balance Sheet date. Comparative figures for the previous year should be presented alongside the current year values.

**Notes on Completion****NHSScotland**

Boards should analyse NHSScotland payables (creditors) over the following headings:

**Scottish Government Health and Social Care Directorates (SGHSCD)**

The figure to be recorded here is the amount due from the Board to the SGHSCD.

**Boards**

The figure to be recorded here is the amount due from the Board to any NHS Board or Special Health Board in Scotland. This figure is analysed by Board in SFR 30.0.

**TOTAL NHSScotland Payables**

This is the total of the lines above and represents the amounts due to NHSScotland bodies.

**NHS Non-Scottish Bodies**

This line should be used to record all amounts due to other NHS Non-Scottish bodies.

**General Fund Creditor**

This figure will equate to the closing net cash as shown at the foot of the Cash Flow Statement.

**FHS Practitioners**

This line should be used to record all amounts due to Family Health Service Practitioners.

**Trade Payables**

This is the total due in respect of goods and services from non-NHS suppliers and for which benefit was received within the reporting year, for which supplier invoices were processed but no payment made.

**Accruals**

This represents the total due in respect of goods and services for which the benefit was received within the reporting year for which an estimated liability is recorded by the Board (excluding NHS suppliers). This would include estimates for time based charges that do not coincide with the financial year and for which invoices have not been received.

**Deferred income**

Deferred income represents an obligation where a future service is required to be performed before the income can be recognised. For example, a software company that charges for IT support 12 months in advance will have deferred income in relation to the support services that have not yet been delivered.

**Payments received on account**

This represents the total value of payments made to the Board in the reporting year for which goods or services are to be provided by the Board after the end of the reporting year.

**Interest Payable**

This is the total of all interest payable on the Board's loans and debts but unpaid in respect of the year to the balance sheet date.

**Net obligation under finance leases**

This should record the portion of the obligation under finance leases that will fall due within one year, taken from Note 22. The remainder is shown as due after one year.

**Net obligation under PFI/PPP contracts**

This should record the portion of the obligation under PFI/PPP contracts that will fall due within one year, taken from Note 23. The remainder is shown as due after one year.

**Bank overdrafts**

This is the total value of all overdrawn accounts held by the Board.

Overdrafts must not be set-off against positive cash balances at bank unless a formal set-off agreement exists with the bank(s). Include all bank overdrafts.

**Income Tax and social security**

This is the total amount due in respect of income tax and national insurance contributions and payable to HM Revenue and Customs and Department of Social Security, included in SFR30.1.

The amount will be net of statutory sick pay and statutory maternity pay and will be the amount outstanding in respect of all these items at the end of the financial year being reported on.

**Superannuation**

The amount due to SPPA for superannuation payments, included in SFR30.1.

**Clinical /Medical Negligence claims**

This should reflect amounts settled but not yet paid and should be shown gross of any contributions to the Board under the CNORIS scheme

**VAT**

This line records amounts due to be paid to HM Revenue and Customs for VAT, included in SFR30.1.

**Other Public Sector Bodies**

This is the total of payables due to other public sector bodies taken from the total disclosed in SFR 30.1 and SFR30.2 less the amounts disclosed in Income Tax and Social Security, Superannuation, VAT and amounts due in more than more year.

**Other payables**

This is the total of all other payables falling due within one year, and not falling into any of the above categories. Any material amount within this category must be separately disclosed, particularly those in respect of capital projects.

**Other Significant Payables**

Any significant payables due within one year not included in the above classifications should be separately disclosed in these lines.

**TOTAL**

The total of this analysis should correspond to the amount shown on the face of the balance sheet as trade and other payables: Amounts falling due within one year.

**Non-current Liabilities: Trade and other payables**

The purpose of this Note is to provide an analysis of the Board's payables due more than one year after the balance sheet date. Comparative figures for the previous year should be presented alongside the current year values. Boards should disclose any long term payables over the categories listed above.

**Net obligations under finance leases due between 1 and 2 years**

The capital element of the Board's obligation under finance leases due to be repaid between 12 months and 24 months after the balance sheet date.

**Net obligations under finance leases due between 2 and 5 years**

The capital element of the Board's obligation under finance leases due to be repaid between 24 months and within 5 years after the balance sheet date.

**Net obligations under finance leases due after 5 years**

The capital element of the Board's obligation under finance leases due to be repaid after 5 years from the balance sheet date.

**Net obligations under PFI Contracts due between 1 and 2 years**

The capital element of the Board's obligation under PFI contracts due to be repaid between 12 months and 24 months after the balance sheet date.

**Net obligations under PFI Contracts due between 2 and 5 years**

The capital element of the Board's obligation under PFI contracts due to be repaid between 24 months and within 5 years after the balance sheet date.

**Net obligations under PFI Contracts due after 5 years**

The capital element of the Board's obligation under PFI contracts due to be repaid after 5 years from the balance sheet date.

**Accruals**

This represents the total due in respect of goods and services for which the benefit was received within the reporting year for which an estimated liability is recorded by the Board (excluding NHS suppliers). This would include estimates for time based charges that do not coincide with the financial year and for which invoices have not been received. This line is for transactions that are greater than one year.

**Deferred income**

Deferred income represents an obligation where a future service is required to be performed before the income can be recognised. For example, a software company that charges for IT support months in advance will have deferred income in relation to the support services that have not yet been delivered. This line is for transactions that are greater than one year.

**Other**

The Board should specify any other material amounts payable falling due after more than one year.

**TOTAL**

The total of this analysis should correspond to the amount shown on the face of the balance sheet as Non-current Liabilities: Trade and other payables.

**WHOLE OF GOVERNMENT ACCOUNTS CLASSIFICATION**

The total payables balance above should be analysed into the categories below.

**NHSScotland**

This is the total of the above NHSScotland lines and represents the amounts due from the Board to all NHS sources within Scotland. The amount disclosed should agree to SFR 30.

**Central Government Bodies**

This represents the amounts due from the Board to Central Government Bodies, including Scottish Government Departments, Executive Agencies, Scottish NDPBs and Other UK Central Government Bodies. The amount disclosed should agree to SFR 30.1.

**Whole of Government Bodies**

This represents the amounts due from the Board to Whole of Government Bodies, including Scottish Councils, and Other Whole of Government Bodies. The amount disclosed should agree to SFR 30.2, excluding NHS Trust balances disclosed in "Balances with NHS Bodies in England and Wales".

**Balances with NHS Bodies in England and Wales**

This represents the amounts due to the Board from NHS bodies in England and Wales, as reported in SFR30.2 (previously included within balances with bodies external to Government)

**Balances with bodies external to Government**

This represents the amounts due from the Board to bodies external to Government.

**Total**

This is the sum of all lines and should agree to the total payables figure above.

**BORROWINGS AND FAIR VALUE**

An analysis of 'borrowings' included in the amounts disclosed above should be disclosed. The amounts disclosed in respect of bank overdrafts, obligations under finance lease and obligations under PFI/PPP contracts should agree to the total corresponding balances in the tables above.

For each class of financial liabilities a Board should disclose the fair value of that class of liabilities in a way that permits it to be compared with its carrying amount.

When the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade payables, this should be noted.

When the carrying amount is not a reasonable approximation of fair value, fair value should be disclosed. There is likely to be a difference between carrying amount and fair value in respect of non-current borrowings. The methods for determining fair value should be disclosed including the assumptions applied in determining fair values when a valuation technique is used.

**MARKET RISK**

An analysis of the carrying amount of receivables denominated in the domestic and foreign currencies.

## PROVISIONS

### INTRODUCTION

#### General

This Note provides an analysis of the amounts reported as Provisions in the Balance Sheet. For presentation purposes in the Balance Sheet, all provisions need to be separated into the amounts falling due within one year, and the amounts falling due after one year.

#### Provisions for liabilities and charges

A provision should be recognised when an entity has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Except in extremely rare cases, an entity will be able to determine a range of possible outcomes and can therefore make an estimate of the obligation that is sufficiently reliable to use in recognising a provision.

This Note should be completed in accordance with section 10.2.12 of the FReM. IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' should be applied in respect of required disclosure.

The actuarial cost of early retirements is likely to be the most common provision and typically most NHS boards will have provisions for residual liabilities in connection with medical and clinical negligence cases and employer liability cases. In addition some Boards will require to provide for the cost of carbon emissions if they participate in the European Unions Emissions Trading Scheme (EUETS).

Where the outflow of cash required to settle a provision is not expected to occur for some years and the amounts are expressed in current prices, the time value of money can become material therefore the provision should be discounted to reflect this. Boards should use the real discount rate set by HM Treasury each year which was last issued in December 2011. The real discount rate to be used as at 31 March 2013 is 2.35%. see PES (2012)16 for more details (note at the time of issue of this manual, the paper is not online but should be accessible through the PES website in due course <http://www.coins.gsi.gov.uk/coins/pespapers.html>).

A separate discount rate applies to other general provisions and details regarding this are specified in the (2012) 15 PES paper which can be accessed at the link above.

## PROVISIONS

### At 1 April

This is the opening balance of provisions analysed between pensions and similar obligations, provisions for clinical and medical negligence, EC Carbon Emissions and other provisions. The total should agree with the total current and non-current provision comparative amounts shown on the balance sheet.

### Pensions and similar obligations, early departure costs and injury benefits

This should include the actuarial liability for the additional costs of early retirements to the extent that they have not been paid to the superannuation scheme. NHS employers are responsible for meeting additional costs arising from early retirement. A provision should be established in relation to these costs as soon as the conditions set out in IAS 19 are met. Once a decision has been made then agreement must be reached with the National Health Service Superannuation Scheme for Scotland as to how the liability will be discharged. If a lump sum payment is agreed, this payment should be charged against the provision initially, and thereafter to operating expenses. If a 5-year payment is agreed, then the provision should be adjusted to this amount and transferred to 'Trade and Other Payables', split appropriately between a current liability and a non-current liability.

NHS employers are responsible for meeting the cost of injury benefits awards in respect of claims made by NHS employees. The entitlement to injury benefits and the amount of the awards are decided by National Health Service Superannuation Scheme for Scotland. The Scheme will notify the claimants' employer of the award made. Shortly after payments are made, the National Health Service Superannuation Scheme for Scotland will invoice the employer for the rechargeable amount. The details provided on the award notification and the subsequent invoice should be used for calculating injury benefit provisions as per IAS 37, including discounting if material. Provisions in respect of permanent injury benefits should be accounted for here.

### Clinical negligence and Employer Liability

These provisions should be based on a review of all outstanding and potential claims for which the board may be liable. As a general rule Boards are expected to provide for claims assessed by CLO as 'Category 3'. Boards must take a view on the likely outcome of 'Category 2' claims in conjunction with CLO. All Category 2 and 3 claims that are not provided for should be disclosed as contingent liabilities in Note 19. These should be shown gross of any related debtor. Include under this heading the provision for the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the centrally administered fund by the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment being made by the Board.

### EC Carbon Emissions Scheme

Where the Board is a member of the EU Greenhouse Gas Emission Allowance Trading scheme, it should recognise a liability as emissions are made and the Board is obliged to deliver allowances equal to the emissions made. The liability should be shown as a provision which should be valued at the best estimate of the expenditure required to settle the obligation. This will be market price at the balance sheet date. The provision will be settled by giving up allowances held and therefore writing down the associated intangible asset.

### Other provisions

This should include other provisions not included within the above categories and any significant material amounts may require to be shown separately, as described above.

**The appropriateness of the accounting treatment should be agreed with the SGHSCD Finance Directorate and the Board's auditors.**

**LINE NARRATIVES****Arising during the year**

Any addition or increase to provisions from 1 April 2010 should be treated as Annually Managed Expenditure (AME) and charged against the Non-Core Revenue Resource Limit (RRL).

For pensions this would include both the actuarial cost of early retirements during the year and the difference between the pension cost and the contributions paid.

For medical and clinical negligence claims this would include the estimated settlement value of any newly identified claims and any adjustments to the estimated settlement values of existing claims, but any settlements should be shown below as utilised during the year.

**Utilised during the year**

Where a provision that existed prior to 1 April 2010 is utilised, the payment will score against a Board's Core RRL. For additional provisions or increases to existing provisions from 1 April 2010, payments will also score against a Board's Core RRL, with a corresponding credit to AME.

Payments made to the superannuation scheme for early retirement costs that had been provided for would be deducted from the provision.

Where claims are settled the amount of the settlement would be shown as utilisation of the provision. If the amount of the settlement has not yet been paid in full, then the balance to be paid would be included in payables.

**Unwinding of discount**

The increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate. The unwinding of the discount due to the passage of time should be charged to the Statement of Comprehensive Net Expenditure as an item of interest payable. Where the discounted element of a provision that existed prior to 1 April 2010 is unwound, the unwinding will score against a Board's Core RRL. For additional provisions or increases to existing provisions from 1 April 2010 that are unwound, the unwinding will be treated as a credit to AME and score against a Board's Non-Core RRL.

**Reversed unutilised**

This line should be used for noting where provisions have been reversed without being used. For example revision of amounts previously provided for pensions that are no longer required or of amounts previously provided for negligence claims where no settlement was required. Where the unutilised element of a provision that existed prior to 1 April 2010 is reversed, the reversal will score against a Board's Core RRL. For additional provisions or increases to existing provisions from 1 April 2010 that are reversed unutilised, the reversal will be treated as a credit to AME and score against a Board's Non-Core RRL.

**At 31 March**

This should be the net total of the lines above. The total column should agree with the total balance shown on the balance sheet as current and non-current provisions.

The balance of each provision should be reassessed to ensure it is sufficient and that it continues to be required at the end of each financial year.



**Analysis of expected timing of discounted flows**

An analysis of the periods during which the provision is expected to be utilised is required in tabular format. For each category of provisions the expected timing of utilisation should be disclosed in the following categories:

- Current: within the next 12 months;
- Non-current: 12 month and thereafter.

**Disclosure Narrative**

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

For each category of provision NHS Boards should also disclose:

- A brief description of the nature and obligation and the expected timing of any resulting transfers of economic benefits.
- Major assumptions covering future events that may affect the amounts required to settle the obligation.
- The amount of any expected reimbursement.
- An indication of the uncertainties about the amount or the timing of cash flows.

**EXAMPLE 1 – PROVISION IN EXISTENCE AS AT 31 MARCH 2010****ACCOUNTING TRANSACTIONS IN 2010/11**

- Opening Balance £100,000
- Cash Payment £75,000
- Unwinding £10,000
- Unutilised £15,000

<b>Cash Payment</b>	<b>Dr</b>	<b>Cr</b>
Operating Costs (RRL)	£75,000	
Cash		£75,000
Provision	£75,000	
Operating Costs (RRL)		£75,000
<b>Unwinding Discount</b>	<b>Dr</b>	<b>Cr</b>
Provisions	£10,000	
Operating Costs (RRL)		£10,000
<b>Reverse Unutilised</b>	<b>Dr</b>	<b>Cr</b>
Provisions	£15,000	
Operating Costs (RRL)		£15,000
<b>Net Movement</b>	<b>Dr</b>	<b>Cr</b>
Operating Costs (RRL)		£25,000
Cash		£75,000
Provisions	£100,000	

**EXAMPLE 2 – NEW PROVISION IN 2010/11****ACCOUNTING TRANSACTIONS IN 2010/11**

- Opening Balance £0
- New Provision £100,000

<b>New Provision</b>	<b>Dr</b>	<b>Cr</b>
Operating Costs (AME)	£100,000	
Provisions		£100,000
<b>Net Movement</b>	<b>Dr</b>	<b>Cr</b>
Operating Costs (AME)	£100,000	
Provisions		£100,000

**EXAMPLE 3 – PROVISION IN 2011/12****ACCOUNTING TRANSACTIONS IN 2011/12**

- Opening Balance £100,000
- Cash Payment £75,000
- Unwinding £10,000
- Unutilised £15,000
- New Provision £20,000

<b>Cash Payment</b>	<b>Dr</b>	<b>Cr</b>
Operating Costs (RRL)	£75,000	
Cash		£75,000
Provision	£75,000	
Operating Costs (AME)		£75,000
<b>Unwinding Discount</b>	<b>Dr</b>	<b>Cr</b>
Provisions	£10,000	
Operating Costs (AME)		£10,000
<b>Reverse Unutilised</b>	<b>Dr</b>	<b>Cr</b>
Provisions	£15,000	
Operating Costs (AME)		£15,000
<b>Additional Provision</b>	<b>Dr</b>	<b>Cr</b>
Operating Costs (AME)	£20,000	
Provisions		£20,000
<b>Net Movement</b>	<b>Dr</b>	<b>Cr</b>
Operating Costs (RRL)	£75,000	
Operating Costs (AME)		£80,000
Cash		£75,000
Provisions	£80,000	

**MOVEMENT IN WORKING CAPITAL****INTRODUCTION****General**

The movements on working capital should correspond with working capital balances disclosed in the opening and closing balance sheets. Increases in receivable balances should be shown as negative amounts and increases in payable balances shown as positive amounts. This will represent cash used to increase net working capital or cash released in reducing it over the year.

**Definition**

The working capital will include only those amounts that relate to revenue expenditure and exclude cash and cash equivalents, overdrafts, financing receivables and payables and capital receivables and payables. The movement in provisions is also included here.

**LINE NARRATIVES****Decrease/ (Increase) in inventories**

This is calculated from opening inventory less closing inventory disclosed in the balance sheet.

**Decrease/ (Increase) in trade and other receivables**

This is calculated from total opening trade and other receivables less total closing trade and other receivables disclosed in the balance sheet. Movements of receivables in respect of capital income and funding should be excluded here.

**(Decrease)/Increase in trade and other payables**

This is calculated from closing trade and other payables less opening trade and other payables. Amounts in respect of finance leases and on balance sheet PFI contracts should not be included here, as these are included in the calculation of other elements of the cash flow statement.

Movements of payables in respect of capital expenditure, funding and interest should also be excluded here.

**(Decrease)/Increase in provisions**

This is calculated from closing provisions less opening provisions disclosed in the balance sheet.

**Net Movement**

This is the sum of the items above and is carried forward to the cash flow statement.

## CONTINGENT LIABILITIES

### INTRODUCTION

#### Nature of Losses

The nature of contingent liabilities reported here for NHS Boards are likely to be one of the following:

- 1) Legal claims for medical negligence.
- 2) Legal claims for employers' negligence
- 3) Legal claims for third party liabilities.
- 4) Doubtful debts.
- 5) Legal claims for equal pay disputes.

Contingent liabilities are:

- Possible obligations – as it has yet to be confirmed whether the Board has an obligation that could lead to a transfer of economic benefits; or
- Present obligations – that do not meet the recognition criteria because either it is not probable that a transfer of economic benefit will be required to settle the obligation or a sufficiently reliable estimate of the obligation cannot be made.

#### Disclosure

This Note should be completed in accordance with section 10.2.12 of the FReM. IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' should be applied in respect of required disclosure. This should give the estimated amount of each liability, a brief description of each contingent liability including an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

Where a contingent liability is not required to be disclosed under IAS 37 because the likelihood of a transfer of economic benefits is considered too remote, but the contingent liability is included for parliamentary reporting and accountability purposes, the Board should disclose the contingent liability.

For quantifiable remote contingent liabilities, the note should disclose the opening balance, any increase in the year, any amounts that crystallised in the year (that is, the liabilities have become reportable under IAS 37), any obligations that have expired during the year and the closing balance. The note should also state the amount that has been reported to Parliament by departmental Minute and provide reconciliation between that and the disclosed amount where different.

For unquantifiable remote contingent liabilities, the Board should list the unquantifiable remote contingent liabilities and explain why they are unquantifiable.

#### Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

Contingent assets are only likely to be required to disclose amounts recoverable from CNORIS in relation to claims disclosed as a contingent liability.

Boards should calculate and disclose contingent assets on the same percentage basis. Narrative should explain the relationship between the contingent assets and contingent liabilities.

**EVENTS AFTER THE END OF THE REPORTING PERIOD****INTRODUCTION****Summary**

Post balance sheet events are events which occur between the balance sheet date and the date on which the accounts are authorised for issue. The authorised for issue date for NHSScotland bodies is usually taken as the date the accounts are adopted by the board and signed by the auditor.

The objectives of IAS 10 are to prescribe

- when the financial statements should be adjusted
- what disclosure should be given about the events

**Types of Post Balance Sheet event**

Post balance sheet events are classified into:

- i) **Adjusting Events** – where evidence of conditions that existed at the balance sheet date can be provided.
- ii) **Non-Adjusting Events** – where there is an indication of conditions that arose after the balance sheet date.

**Disclosure**

This Note should be completed in accordance with section 5.4.22 of the FReM and IAS 10. For an adjusting event, the amounts recognised in the financial statements are adjusted to reflect the conditions at the balance sheet date. For non adjusting events the nature of each event and either an estimate of the financial effect or a statement that such an estimate cannot be made should be disclosed in note 20.

**Assets Held For Sale**

Where an asset is classified as held for sale after the balance sheet date, it is not restated in the balance sheet, but if the reclassification occurs before the authorisation of the financial statements for issue, some disclosures about the asset may need to be included as an event after the end of the reporting period in this note if material.

## COMMITMENTS

### INTRODUCTION

#### GENERAL

This note discloses the future commitments that a NHS Board has entered into, defined as obligations to make payments for which provision has not been made in the accounts. These are future payments and expenditure to be incurred on contracts that the Board have entered into at the balance sheet date and where there are unperformed obligations. They are classified as capital commitments, other non cancellable contracts (other than leases and PFIs) and remote quantifiable guarantees, indemnities or letters of comfort.

#### Capital commitments

Capital commitments are analysed between those that have been contracted and those that are authorised but not yet contracted at the balance sheet date. Before sums are recorded as 'authorised but not contracted', the NHS Board must have decided to proceed, and approval been given for the necessary expenditure at the end of the financial year. This includes major projects which have been approved by the Board, but for which authorisation is still awaited by the Scottish Government.

Capital commitments are analysed between those in respect of property, plant and equipment and intangible assets. Each significant commitment should be listed and the capital commitment value should be disclosed.

#### Other financial commitments

Other financial commitments for which disclosure is necessary to achieve an understanding of the accounts should be disclosed in this note where the contracts are not cancellable or only cancellable at significant cost and relate to something other than the routine business of the board.

The timescale of the expiry of non cancellable contracts should be completed, showing the amounts to which the Board is committed within each of the periods specified.

#### Financial guarantees, indemnities and letters of comfort

Disclosure is required where the Board has entered into quantifiable guarantees, indemnities or letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured and disclosed following the requirements of IAS 39.

Each significant financial guarantee, indemnity and letter of comfort should be listed and an analysis of the movement between the 1 April and 31 March provided.

#### Supplemental

Supplemental information may be added to provide additional details of the nature and timescale of future developments and the methods of financing them.

## COMMITMENTS UNDER LEASES

### INTRODUCTION

#### Summary

This note discloses commitments to pay rentals under lease agreements, along with disclosure on operating lease rentals and finance lease charges charged to the Statement of Comprehensive Net Expenditure.

Note 22 is split into operating and finance lease disclosures. Boards should consult Chapter 8 of the Capital Accounting Manual for full details on the disclosure requirements relating to lease contracts.

#### Operating Leases

Insert the amount of total future minimum rental payments due to be made in respect of non-cancellable operating leases for Land, Buildings and Other Assets. These disclosures are required to be split between the periods in which the amounts fall due.

Where it is concluded that the Board has an operating lease contract, they should simply record the rental payments in their SOCNE and disclose the information outlined above.

#### Operating Lease Rentals

These are payments under all leases and similar contracts other than those assessed as being finance leases. Boards should disclose the actual charges, which include payments made in the year plus opening and closing accruals and prepayments.

#### Finance Leases

Insert the amount of total future minimum rental payments due to be made in respect of finance leases for Buildings and Other Assets according to the period in which the amounts fall due.

Where it is concluded that the Board has a finance lease the asset and corresponding liability to pay for it should be recorded on the balance sheet. Subsequently, the asset should be depreciated over the term of the primary lease contract, in accordance with chapter 8 of the Capital Accounting Manual.

The interest element of finance lease obligations should be deducted from the total amount of future obligations to arrive at the amount disclosed as lease creditors in note 16. This will represent the capital element only of future lease payments.

#### Aggregate Rentals Receivable

These are receipts under all leases and similar contracts other than those assessed as being finance leases. Boards should disclose the rents received and receivable in the year under existing leases.



**COMMITMENTS UNDER PFI/PPP CONTRACTS****INTRODUCTION****Summary**

This note brings together various disclosure requirements relating to PFI/PPP Contracts and similar schemes.

Note 23 is split into two sections; 'Off Balance Sheet', 'On Balance Sheet'. Boards should consult Chapter 12 of the Capital Accounting Manual for full details on the disclosure requirements relating to PFI/PPP contracts.

**Off Balance Sheet**

Where it is concluded that the Board has an off-balance-sheet PFI/PPP contract, they should simply record the annual amount chargeable to the contractor within their SOCNE and disclose the information outlined below. There may nevertheless be other assets or liabilities that require recognition. These can arise in respect of the acquisition of the residual interests and other obligations of the purchaser and in respect of contributions. Details should be provided in respect of any residual interests and/or contributions by the NHS Board. Chapter 12 of the Capital Accounting Manual provides further details in respect of such transactions.

Insert the name of the PFI/PPP contract, a description of the scheme, the estimated capital value of the scheme, the length of the contract and if applicable the amount of any prepayments in respect of the scheme and the amount of any revisionary interest in respect of the scheme. A disclosure should be made stating that the PFI/PPP property is not an asset of the Board. A separate disclosure should be made for each off-balance-sheet PFI/PPP contract.

Provide an analysis for off-balance-sheet PFI/PPP contracts of the amount recognised within the SOCNE.

Disclose the value of any contingent rents recognised in the period, and where these have been expensed. IAS 17 defines contingent rents as "that portion of lease payment that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices, and future market rates of interest)

A disclosure should be made in respect of charges to which the Board is committed to make in future financial years, analysed between those years in which the amounts fall due.

**On Balance Sheet**

Insert the name of the PFI/PPP contract, a description of the scheme, and the contract start and end dates. A disclosure should be made stating that in accordance with the HM Treasury application of IFRIC 12 principles the PFI/PPP property is an asset of the Board and that the liability to pay for the property is, in substance, a finance lease obligation. A separate disclosure should be made for each on-balance-sheet PFI/PPP contract.

Under SIC 29, the following should also be disclosed in each period:

- a description of the arrangement;
- significant terms of the arrangement that may affect the amount, timing, and certainty of future cash flows (such as the period of the concession, re-pricing dates, and the basis on which re-pricing or re-negotiation is determined);

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- the nature and extent (quantity, time period, or amount, as appropriate) of:
  - rights to use specified assets; obligations to provide or rights to expect provision of services; obligations to acquire or build items of property, plant and equipment; obligations to deliver or rights to receive specified assets at the end of the concession period; renewal and termination options; and other rights and obligations (for instance, major overhauls); and
- changes in the arrangement occurring during the period.

Where it is concluded that the Board has an asset and a liability to pay for it, these should be recorded on the balance sheet. These amounts should initially be measured at the fair value of the asset at the inception of the arrangement, which would normally be at financial close of the PFI/PPP contract. This fair value may be based on the estimated capital cost of the asset in the PFI/PPP operator financial model. If this amount is used as the basis for measurement, the Board may consider only including amounts that would normally be capitalised if it were paying for the asset directly rather than through a PFI/PPP mechanism.

Subsequently, the asset should be depreciated over its useful economic life. In addition, an imputed finance charge on the liability should be recorded in subsequent years using a property-specific rate. The imputed finance lease obligation should be disclosed, analysed between the rentals due within 1 year, within 2 to 5 years, and thereafter. The imputed interest element is deducted from the total imputed finance charge to arrive at the amount disclosed as PFI/PPP creditors in note 16. This will represent the capital element only of future PFI payments.

**Amounts charged to the Statement of Comprehensive Net Expenditure**

This is the total amount charged to the Statement of Comprehensive Net Expenditure in respect of PFI/PPP or similar transactions, excluding depreciation and amortisation charges. The charges should be split between interest, service charges and other charges for on-balance-sheet contracts.

Depreciation and amortisation charges in respect of on-balance-sheet PFI/PPP contracts should be included only within that specific line of Note 3.

Disclose the value of any contingent rents recognised in the period, and where these have been expensed. IAS 17 defines contingent rents as “that portion of lease payment that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices, and future market rates of interest)

## PENSION COSTS

### INTRODUCTION

#### General

The data to be disclosed in this Note should be in accordance with the guidance given in section 12.2 of the Financial Reporting Manual.

IAS 19 applies, as adapted, to the public sector.

#### NHS Superannuation Scheme

Given that the NHS Superannuation Scheme is a multi-employer scheme, and is listed in section 12.1.1 of the FReM, the arrangements in section 12.2.5 of the FReM will apply. As such the scheme shall be accounted for as a defined contribution scheme.

The Board should therefore recognise an expense equal to their employer contribution to the scheme during the year.

The note includes a description of the benefits provided by the NHS Superannuation Scheme in order to comply with the Combined Code on Corporate Governance.

#### Other Schemes

Where a Board is a member of other pension schemes, they will need to assess whether these schemes should be accounted for as defined benefit schemes or as defined contribution schemes.

The specific accounting and disclosure requirements of IAS 19 should be followed and must be discussed and agreed with the SGHSCD.

Where a Board makes employers' contributions in respect of other pension schemes, similar narrative details to those outlined for the NHS scheme should be provided.

## PRIOR YEAR ADJUSTMENTS

### INTRODUCTION

#### GENERAL DEFINITIONS

As specified in 2.3.1 of the [FReM](#), Boards are required to comply with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*. This should be applied as follows:

##### i) Prior-Year Adjustments

Prior year adjustments are very rare and limited to items arising from changes in accounting policies and from the correction of material errors. They do not include normal recurring adjustments or corrections of accounting estimates made in prior periods. Since a change in estimate arises from new information or developments it should be given retrospective effect by a note relating to the balances brought forward in the financial statements.

##### ii) Adjustments to Opening Balances

Prior-period adjustments shall be accounted for by restating the comparative figures for the preceding period in the primary financial statements and notes, and adjusting the opening balance of reserves (at 1 April of the comparative period) for the cumulative effect. In addition, the cumulative effect of the adjustments should be shown in the statement of changes in taxpayers' equity.

The effect of prior-period adjustments on the results for the preceding period should be disclosed where practicable. In addition, an indication of the effect on the current year's results should be shown.

To satisfy the requirements of resource budgeting, changes to accounting policy should only be made after agreement with SGHSCD.

#### Disclosure

The Annual Accounts template should analyse the difference between amounts reported in the previous year's accounts and prior year comparative figures included in the current year's accounts. This should cover all adjustments that have been agreed with the auditors and SGHSCD to be treated as prior year adjustments.

The re-statement of the Statement of Comprehensive Net Expenditure, Balance Sheet and Statement of Cash Flows is dealt with in note 26 but the details of each adjustment should be shown here

#### Expected Prior Year Adjustments

No prior year adjustments are expected this year, however if boards have a local issue where they want to make a prior year adjustment due to other circumstances these must be discussed with Scottish Government Health Finance.

**RESTATED BALANCE SHEET, SOCNE AND STATEMENT OF CASHFLOWS****INTRODUCTION****Purpose of Note**

This note is only required to demonstrate the movements between the previous year balances and the figures in the current year's accounts when there has been a prior year adjustment.

**Preparation of Note**

The closing figures previously reported in the prior year Accounts, should be inserted in the 'previous account' column. The adjustment columns should be used to show any adjustments to those figures and the re-stated balances for the current year.

Adjustments will only need to be made in respect of changes in accounting policies and from the correction of material errors. This should not include normal recurring adjustments or corrections of accounting estimates made in prior periods, which should be shown as in-year transactions.

## FINANCIAL INSTRUMENTS

### INTRODUCTION

#### Note 27(a) - Financial Instruments by category

##### General

NHS Boards are required to analyse any financial instruments contained within their balance sheets.

A financial instrument is defined in paragraph 11 of IAS 32 as a “contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity”. NHS Boards could have financial instruments under any of the following balance sheet categories:

- available-for-sale financial assets;
- trade and other receivables;
- cash and cash equivalents;
- derivative financial assets;
- trade and other payables;
- other financial liabilities; and
- derivative financial liabilities.

The following assets and liabilities meet the definition of a financial instruments however are covered by other standards and therefore do not fall under the remit of IAS 32, 39 and IFRS 7 and as such are excluded from financial instrument disclosures:

- employers’ rights and obligations under pension schemes;
- provisions under IAS 37;
- statutory assets and liabilities, for example, taxation balances.

##### Disclosure

An analysis of all financial instruments should be disclosed which distinguishes between the different classifications of financial assets and liabilities above.

The Board should disclose the carrying value of the financial assets it has recognised as at the year end in the following categories:

(a) Financial assets at fair value through Statement of Comprehensive Net Expenditure  
Financial assets at fair value through Statement of Comprehensive Net Expenditure include derivatives assets.

(b) Loans and receivables

Loans and receivables include trade and other receivables (excluding prepayments, statutory balances such as VAT, reimbursement of provisions and superannuation balances) and cash at bank and in hand in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets include equity investments and other financial assets recorded in note 14.

The Board should disclose the carrying value of the financial liabilities it has recognised as at the year end in the following categories:

(a) Financial liabilities at fair value through Statement of Comprehensive Net Expenditure

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Financial liabilities at fair value through profit or loss include derivatives

(b) Other financial liabilities

Other financial liabilities include trade and other payables (excluding statutory liabilities such as VAT, deferred income, income tax and social security and superannuation balances accounted for under IAS 19) and overdrafts.

## FINANCIAL INSTRUMENTS

### Note 27(b) - Financial risk factors

IFRS 7 also requires qualitative and quantitative disclosures relating to the risks associated with financial instruments. There are 3 types of risk:

- (a) Credit risk – this is the risk that one party to a financial instrument will cause financial loss for another party by failing to discharge an obligation;
- (b) Liquidity risk – this is the risk that the NHS Board will encounter difficulties meeting obligations associated with financial liabilities; and
- (c) Market risk – this is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market prices. It is subdivided into three types of risk:
  - interest rate risk;
  - currency risk; and
  - other price risk which may relate specifically to the instrument or may relate to all similar financial instruments in the market.

### Narrative disclosure

Disclosures are required in relation to the NHS Board's exposure to risks and the objectives, policies and processes used to mitigate that risk.

### Additional liquidity risk disclosure

The Board should disclose a maturity analysis for financial liabilities (as defined in 27(a) above) that shows the remaining contractual maturities.

In preparing the contractual maturity analysis for financial liabilities, the Board uses its judgement to determine an appropriate number of time bands. The SGHSCD has determined that the following time bands are appropriate:

- Not later than one year;
- Later than one year and not later than two years;
- Later than two years and not later than five years; and
- Later than five years.

When a counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which the Board can be required to pay. For example, financial liabilities that a Board can be required to repay on demand (for example, demand deposits) are included in the earliest time band.

When a Board is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Board can be required to pay.

The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows (including principal and interest payments), which may differ from the amounts included in the balance sheet. For example the maturity analysis should disclose gross finance lease obligations (before deducting finance charges) and contractual amounts to be exchanged in a derivative financial instrument.



**FINANCIAL INSTRUMENTS****Note 27(c) – Fair value estimation**

Where a financial instrument has been measured at fair value in the financial statements, for example available-for-sale financial assets or derivative assets/liabilities, the Board should disclose:

- The methods and when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, a Board should disclose information about the assumptions relating to pre-payment rates, rates of estimated credit losses and interest rates or discount rates.
- Whether fair values are determined, in whole or in part, directly by reference to published price quotations in an active market or are estimated using a valuation technique;
- Whether the fair values recognised or disclosed in the financial statements are determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on available observable market data.

## DERIVATIVE FINANCIAL INSTRUMENTS

### INTRODUCTION

#### Note 28 – Derivative Financial Instruments

##### General

Derivatives are financial assets or liabilities which require no initial investment, will be settled at a future date and whose value changes in relation to:

- A specified rate, index or other financial variable; or
- A non-financial variable which is not specific to either party to the contract.

An example of a derivative is a forward contract with a bank to purchase Euros on a future date at a pre-determined exchange rate. This might be used when a NHS Board agrees to purchase an asset from a European manufacturer and payment must be made in Euros on the day of delivery. The forward contract therefore protects the NHS Board from the exchange rate risk. The arrangement to fix the exchange rate does not require any investment and changes with exchange rate fluctuations.

Derivatives need not necessarily be stand alone – they can be embedded in other contracts wherever there are contract terms which permit the cash flows under the contract to vary. Where the variable is 'closely related' to the contract then the embedded derivative can be ignored and the contract accounted in accordance with the relevant accounting standard. Where, however, the economic characteristics and risks of the embedded derivative is not 'closely-related' to the host contract, it has to be split from the main contract and accounted for separately at Fair Value through Statement of Comprehensive Net Expenditure. IAS 39 does not define the term 'Closely-related' but a series of examples of embedded derivatives which are 'closely-related' and are not 'closely-related' is contained in the Application Guidance of the standard.

##### Disclosure

An analysis of derivative assets and liabilities recognised at the year end should be provided. The analysis should disclose;

- the carrying value (asset or liability) per type of derivative instrument;
- additions in year;
- repayments and disposals
- revaluation

The surplus or deficit on revaluation recognised in the Statement of Comprehensive Net Expenditure in the year should be disclosed.

The notional contractual amounts outstanding as at the year end for each type of derivative instrument should be disclosed.

## RELATED PARTY TRANSACTIONS

### INTRODUCTION

#### Note 29 – Related party transactions

##### General

The objective of IAS 24 is to ensure that a Board's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus/deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

IAS 24 specifically identifies certain parties that are always treated as related parties under the standard. A party is related to the Board if:

- (a) the party is a director as defined in paragraph 5.2.6 of the FReM. This includes the names of the chairman and chief executive, and the composition of the management board (including advisory and non-executive members) having authority or responsibility for directing or controlling the major activities of the entity during the year. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or sections with the reporting entity.
- (b) the party is an associate (as defined in IAS 28 *Investments in Associates*) of the Board;
- (c) the party is a joint venture in which the Board is a venturer (see IAS 31 *Interests in Joint Ventures*);
- (d) the party is a member of the key management personnel of the Board or its parent. Key management are defined as the composition of the management board (including advisory and non-executive members) having authority or responsibility for directing or controlling the major activities of the entity during the year. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or sections with the reporting entity;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Board, or of any entity that is a related party of the Board.

##### Disclosure

Related party disclosures are to be included in Note 29. If there have been material transactions, they should be disclosed, including as a minimum details of Sales of goods and services; Purchases of goods and services; Year-end balances arising from sales/ purchases of goods/ services, both receivables and payables and; details of any loan balances. If there have not been any material transactions, then please amend the note as appropriate to the situation.

Please see the paragraphs below for more detailed guidance.

NHS Boards with endowment funds that are managed by Trustees who are also directors of the Board should note that such funds will require to be disclosed as related parties. However the Financial Reporting Advisory Board to HM Treasury have agreed that any requirement to consolidate such funds will not apply in 2015-16, with future treatment

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dependent on the outcome of an exercise to determine the nature and extent of the controlling relationship to that of the NHS bodies.

Under IAS 24 if there have been transactions between related parties, the Board shall disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. At a minimum, disclosures shall include:

- (a) the amount of the transactions;
- (b) the amount of outstanding balances and:
  - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
  - (ii) details of any guarantees given or received;
- (c) provisions for doubtful debts related to the amount of outstanding balances; and
- (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

IAS 24 also requires various disclosures of key management compensation. Paragraph 5.4.62(d) of the FReM notes that the requirement to disclose the compensation paid to management, expense allowances and similar items paid in the ordinary course of an entity's operations will be satisfied by the disclosures made in the notes to the accounts and in the Remuneration Report.

Boards should give the name of the parent department (if any), a note on the main entities within government with which the entity has had dealings (no information needs to be given about these transactions), and details of material transactions between the entity and individuals who are regarded as related parties. A suggested wording is provided in Annex 3 in the FReM and replicated below.

[Name of body] is a [category of body: for example, executive agency] of [name of department]. [Name of department] is regarded as a related party. During the year, [name of body] has had [a (significant) number of / various] material transactions with the Department and with other entities for which the Department is regarded as the parent Department, viz:

[list of main other agencies, trading funds, non-departmental public bodies and other bodies sponsored by or the responsibility of the parent Department.]

In addition, [name of body] has had a [small number of] [various material] transactions with other government departments and other central government bodies. Most of these transactions have been with [name of main entities].

And either:

During the year, no [Minister], Board member, key manager or other related parties has undertaken any material transactions with [name of body] during the year.

or:

During the year [name of body] entered into the following material transactions with [give name and type of related party (for example, Minister, Board member etc.) and details of the transactions].

**SEGMENTAL REPORTING****INTRODUCTION****Note 30 – Segmental Reporting****General**

A Board's operating segments will be defined according to the operating and financial information that are reported to its senior management. In addition a Board should report any further segmental information required by IFRS 8 that is regularly reviewed by senior management in this note.

Senior management is defined in paragraph 5.2.6(d) of the FReM as the management board (including advisory and non-executive members) having authority or responsibility for directing or controlling the major activities of the entity during the year. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or sections with the reporting entity.

**Disclosure**

Boards should report net operating costs (net expenditure) by operating segment. The total net operating costs disclosed should agree to those reported in the SOCNE. The total assets should agree to those reported in the Balance Sheet.

If the following information for operating segments is regularly reviewed by senior management then it should also be disclosed in note 30:

- Total Assets
- Total liabilities
- Total segment revenue
- Inter-segment revenue
- Revenue from external sources
- Impairment losses recognised in Statement of Comprehensive Net Expenditure
- Impairment losses recognised in Reserves
- Impairment reversals recognised in Statement of Comprehensive Net Expenditure
- Impairment reversals recognised in Reserves
- Depreciation and amortisation
- Interest income
- Interest expense
- Non-current assets held for sale (IFRS 5)
- Additions to non-current assets (other than financial instruments and deferred tax assets) (i.e. capital expenditure).

The total liabilities reported above should agree to those reported in the Balance Sheet.

## THIRD PARTY ASSETS

### INTRODUCTION

*FReM* states that third party assets are assets for which an entity acts as custodian or trustee but in which neither the entity nor government more generally has a direct beneficial interest. Third party assets are not public assets, and should not be recorded in the primary financial statements. Nor should third-party monies be held in public bank accounts.

#### **Note 31 – Third Party Assets**

Details of monetary assets are to be disclosed in accordance with *FReM*. These amounts should agree with SFR19.0 Private Patient Funds.

Details of other assets held should also be disclosed in accordance with *FReM*.

**DISCLOSURE OF EXIT PACKAGES****INTRODUCTION**

As per 5.4.61 of the FReM, Boards should provide summary data on their use of exit packages agreed in year.

**Note 32 – Disclosure of Exit Packages**

The table, in the format specified by the FReM, requires Boards to indicate, in the bands disclosed, the number of compulsory redundancies and number of other departures agreed in year.

Boards should also disclosure the total cost of compulsory redundancies and other departures agreed.

## **SCOTTISH FINANCIAL RETURNS (SFRs)**



## **ALLOCATIONS FROM SCOTTISH GOVERNMENT HEALTH AND SOCIAL CARE DIRECTORATES**

### **INTRODUCTION**

#### **General**

NHS Boards have financial resources made available by the Scottish Government Health Directorates, to be drawn down as and when required. Since 2001-02, under Resource Accounting and Budgeting (RAB), NHS Boards are provided with a Revenue Resource Limit, a Capital Resource Limit and a Cash Requirement.

Under RAB the Income and Expenditure Account was replaced with a Statement of Comprehensive Net Expenditure from 1 April 2002. This records the net expenditure, excluding funding, which is then compared with the Revenue Resource Limit (RRL) agreed with the SGHSCD in the Summary of Resource Outturn and the Directors' Report. The RRL is not accrued in the accounts rather it is a limit set by the SGHSCD, within which NHS Boards are required to contain their expenditure. The cash required to fund activities is shown as funding invested in the General Fund, which is part of the public sector equity in the Balance Sheet. The actual cash requirement is also compared against the limit agreed with the SGHSCD in the Directors' report.

**ALLOCATIONS FROM SCOTTISH GOVERNMENT – HEALTH AND SOCIAL CARE DIRECTORATES****Revenue Resource Limit - Core**

The allocation shown here must equal the Core Revenue Resource Limit (RRL) as per the final allocation letter issued by SGHSCD.

**Revenue Resource Limit – Non core**

The allocation shown here must equal the Non-core Revenue Resource Limit (RRL) as per the final allocation letter issued by SGHSCD.

**Total Unified Budget**

This represents the total budget for unified board expenditure.

**Allocations - Non-Discretionary (Primary Care)**

The non-discretionary allocation is to be taken as being the same as the net non-discretionary expenditure recorded in Note 5 and Note 8.

Non-discretionary income is included as part of operating income in Note 8, so this will be a net allocation.

**Less Non RRL Allocations**

In order to calculate the core Revenue Resource Limit, it will be necessary to deduct non-RRL allocations (i.e. FHS Non Discretionary Allocation) and non core RRL allocations from total revenue allocations.

**Core Revenue Resource Limit**

This must equal the core RRL as per the final allocation letter issued by SGHSCD.

**Non Core Revenue Resource Limit**

This must equal the Non core RRL as per the final allocation letter issued by SGHSCD.

**Capital Resource Allocations**

Note that the Board's Capital Resource Allocations included in SFR 1 are now carried forward from SFR 1 to note 9 in the Accounts, to show a comparison against the Board's net capital expenditure.

**Ring-fenced capital projects**

As per allocation letter issued by the SGHSCD, to include any ring-fenced capital projects which are not included in the general capital allocation at lines 920 + 950 above.

**MISCELLANEOUS INCOME****FAMILY HEALTH SERVICE INCOME****INTRODUCTION****INCOME - DEFINITION**

This Note records all income received or receivable in respect of Family Health Services

**Sums withheld from Practitioners under Regulations**

Receipts in respect of sums withheld from Practitioners under the Regulations (Circular ECS (F) 2/1971 refers).

**Rents of Practitioners' Houses**

All rents collected by the Board in respect of both owned and leased accommodation should be entered here.

**NES Income**

Training income received from NHS Education for Scotland.

**Other Income from GP Practices****IT Income**

Income received from the Scottish Government in relation to IT communications.

**Prescription Charges Retained**

Statutory pharmaceutical charges to patients due on issue of drugs and appliances per Prescription Pricing Division schedules.

Receipts from checking on exempt categories.

**Sale of Pharmaceutical Certificates**

Unit Code 292 - Misc. Income - Non Discretionary

The sum collected in respect of the sale of prepayment certificates.

Circular ECS(P) 32/1968, as amended by ECS(P) 34/1968, refers.

**Prescription Charges recovered direct from Patients**

Unit Code 292 - Misc. Income - Non Discretionary

Prescription charges recovered from patients under the checking arrangements in NHS Circular 1978 (GEN) 3.

**New Pharmacy Contract**

Income received by NHS Boards via PSD matching expenditure under the new pharmacy contracts e.g. Training Grants.

**MISCELLANEOUS INCOME**

Line Number

**General Dental Charges**

The value of dental charges not collected due to approved remissions.

Statutory dental charges to patients including remissions and emergency dental charges.

**Dental Charges - Collected in Cash**

The sum collected should include:

- 1) Dental charges collected from patients at Health Centres for treatment given by salaried dentists.
- 2) Charges recovered as a result of the checking procedures in NHS Circular 1979 (GEN) 9.
- 3) Charges collected by certain Boards under local arrangements.

**Ophthalmic Charges - Collected in Cash**

Sums received by the Board from patients in respect of charges due (SHHD/DS (78) 77 refers).

**PRIMARY MEDICAL SERVICES****INTRODUCTION****Definition of Primary Medical Services**

This Form records the expenditure paid to General Medical Practitioners in respect of services provided under contract to the board. It also includes expenditure in respect of any such services that are provided directly by the board at health centres or provided by contractors other than General Practitioners.

**PMS Contract**

The references quoted at each line narrative relate to the items specified in the new PMS contract, except where otherwise stated.

**Primary Medical Services Costs**

All expenditure on Primary Medical Services is chargeable to SFR 9 with the following exceptions: -

- |   |              |
|---|--------------|
| (1) Fees for notification of infectious diseases  | SFR 8.2/470  |
| (2) Sums paid to dispensing Doctors including superannuation thereon                              | SFR 10.0/310 |
| (3) Practice Attachment Costs: payments to GPs for use of their premises by Community based staff | SFR 8.2/650  |
| (4) GP Refresher Courses, reclaimable from the Department.  | Debtors      |

## **PHARMACEUTICAL SERVICES**

### **INTRODUCTION**

#### **Definition of Pharmaceutical Services**

This Form records the net prescribing costs of drugs and appliances prescribed by General Medical Practitioners and General Dental Practitioners and dispensed by Chemist Contractors, Appliance Suppliers, General Medical Practitioners and salaried Chemists on the payroll, who provide services at Health Centres. It also records remuneration fees to pharmacists for services provided under the new Pharmacy Contract and through local negotiation.

#### **Pharmaceutical Services Costs**

The authority relating to Pharmaceutical Services is contained in:-

- 1) NHS (General Medical and Pharmaceutical Services) (Scotland) Regulations 1974
- 2) Drug Tariff
- 3) Statement of Fees and Allowances payable to General Medical Practitioners in Scotland - paras. 44 and 71.

**PHARMACEUTICAL SERVICES**

Line Narratives

**NON DISCRETIONARY PAYMENTS****PAYMENTS TO CHEMIST CONTRACTORS, APPLIANCE SUPPLIERS & MEDICAL PRACTITIONERS****Remuneration & Other Fees**

Fees and allowances paid to Chemist Contractors for issuing drugs.

**Model Schemes****UNIFIED BUDGET PAYMENTS****PAYMENT TO CHEMIST CONTRACTORS, APPLIANCE SUPPLIERS & MEDICAL PRACTITIONERS****Drugs and Appliances**

Payments to Chemist Contractors and Appliance Suppliers per Prescription Pricing Division schedules for supply and dispensing of drugs and appliances.

**Stoma Fees****Palliative Care Model Schemes**

**Payments made to Pharmacists under locally negotiated contracts. These include:**

- Methadone Prescribing
- Needle Exchange Services
- Oxygen therapy services
- Advice to nursing homes
- Disposal of unwanted medicines
- Rota Payments

**Grants for Provision of Personal Advice****New Pharmacy Contract**

All payments relating to the new pharmacy contract broken down to the various elements of the contract.

## **GENERAL DENTAL SERVICES**

### **INTRODUCTION**

#### **Definition of General Dental Services**

This Form records the net cost of fees and allowances paid to General Dental Practitioners and the pay of and dental supplies used by salaried Dentists on the NHS Board payroll, who provide services at Health Centres.

#### **Fees, Allowances and Other Payments**

The authority and guidelines relating to General Dental Services are contained in:

- 1) NHS (General Dental Service) Regulations 1974
- 2) Handbook for General Dental Practitioners
- 3) Statement of Dental Remuneration.



## **GENERAL DENTAL SERVICES**

Line Narratives

### **PAYMENTS TO DENTAL PRACTITIONERS:**

#### **Treatment and Dentures - Gross Cost**

Gross amounts due to General Dental Practitioners per SDEB schedule. Emergency Dental Service fees and other direct costs. For compensation payments for early retirement, circulars include: 31 January 1991, SHHD/DGM (91) 8.

#### **Seniority Payments**

Additional payments to General Dental Practitioners who are eligible.

#### **Commitment Payments**

Payments to Dentists over the age of 35

#### **Dental Services in Remote Areas**

Special arrangements in certain areas as approved by the Scottish Ministers.

#### **Vocational Training Scheme**

Grants to trainers and trainee salaries.

#### **Superannuation - Board's Share**

NHS (Superannuation) Regulations.

#### **Reimbursement of Business Rates**

Surgery Rates.

### **SERVICES AT HEALTH CENTRES:**

#### **Dentists' Salaries**

Dentists who have employment contracts with the NHS Board who provide a General Dental Service.

#### **Chairside Assistants'/ Dental Receptionists' Salaries**

Dental Assistants who have employment contracts with the NHS Board and whose work mainly involves assisting the Dentist in his clinical duties or involves receptionist/clerical duties. This does not include Dental Hygienists.

#### **Superannuation - Board's Share**

NHS (Superannuation) Regulations.

#### **Cost of Dental Supplies**

Dental supplies used by salaried dentists.

**OTHER PAYMENTS:****Charges Refunded to Patients**

Refund of charges where free replacement of a dental appliance has been approved by SDEB and NHS Board.

**Dentists' Retainer Scheme**

Allowances to assist non-practising dentists with expenses of educational/professional materials and courses.

**Other Practice Allowances**

General Dental Practice Allowances paid.

**Dental Access Initiative Fund**

Expenditure relating to this Fund should be shown here.

**Dental Services Improvements**

This records expenditure under Dental Improvement Grants.

**Dental Rent Reimbursements**

Reimbursement of dental rent for premises occupied by General Dental Practitioners.

**GENERAL OPHTHALMIC SERVICES****INTRODUCTION****Definition of General Ophthalmic Services**

This SFR records the net cost of fees and allowances paid to Ophthalmic Medical Practitioners and Ophthalmic Opticians for sight testing and supply and repair of appliances.

**Fees and Allowances**

The provision of General Ophthalmic Services is described in NHS Circulars No 1986(GEN)13 (18 June 1986), 1988(GEN)6 (25 March 1988), 1988 (GEN)9 (28 March 1988), 1989(GEN)12 (22 March 1989) and 1989 (GEN)24 (28 July 1989). The statutory authority is contained in:

- 1) NHS (General Ophthalmic Services) (Scotland) Regulations 1986, as amended by NHS (General Ophthalmic Services)(Scotland) Amendment Regulations 1988, SI 543.
- 2) NHS (Payments for Optical Appliances) (Scotland) Regulations 1986, as amended by NHS (Payments for Optical Appliances)(Scotland) Amendment Regulations 1988, SI 463 and NHS (Payments for Optical Appliances)(Scotland) Amendment No 2 Regulations 1988, SI 545.
- 3) NHS (Scotland) General Ophthalmic Services Statement, April 1988.

**GENERAL OPHTHALMIC SERVICES**

Line Narratives

**SIGHT TEST FEES:****Ophthalmic Medical Practitioners**

Payment per sight test carried out, Form GOS (S) (ST) and Form GOS (S) ST (V).

**Superannuation - Board's Share**

Contributions in respect of Line 2.

**Ophthalmic Opticians**

Payment per sight test carried out, Form GOS (S) (ST) and GOS (S) ST (V).

**Domiciliary Visits: Ophthalmic Medical Practitioners**

Visiting fees, as per NHS Circular No 1990(PCS)14.

**Domiciliary Visits: Ophthalmic Opticians**

Visiting fees, as per NHS Circular No 1990(PCS)14.

**Refunds to Patients**

The gross refunds to patients under DSS Forms AG2 and AG3.

**Services in Remote Areas**

Special arrangements in certain areas as approved by the Scottish Ministers.

**Grants for pre-registration Students**

Payments to Ophthalmic Opticians for provision pre-registration training to Ophthalmic Optical graduates.

**SPECTACLES VOUCHER SCHEME****Cost of Redeeming Vouchers**

This should comprise payments made by Boards to contractors under the voucher scheme (excluding the repair or replacement of children's glasses and the Supplement for small frames). As set out in paragraph 5.6 of the Memorandum to NHS Circular No 1986(GEN)13, payments should represent either the cost of supplying the glasses, or the voucher value, whichever is the lower, but before any patients' contributions identified on Form AG3 (Paragraph 9 of the Memorandum to NHS Circular No 1988(GEN)9). Voucher costs in respect of the purchase of contact lenses should also be shown here (Paragraph 6 of Memorandum to NHS Circular No 1988 (GEN)6).

**Patients' Contributions to Voucher Costs**

This should record patients' contributions to voucher values per Form AG3 (Paragraph 9 of the Memorandum to NHS Circular No 1988 (GEN)9 (Group 2 cases) refers).

**Small Frames - Supplement**

This should show only the cost of the supplement in respect of small spectacle frames (Paragraph 5 and 7 of Memorandum to NHS Circular No 1988 (GEN)6), for both young children and adults. This should include any supplement payable under repair/replacement arrangements.

**Repair/Replacement of Adults' Glasses**

The cost of reimbursing opticians for the repair or replacement of glasses of eligible adults, following loss or damage. (Voucher reimbursement for new adults' glasses

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required on account of fair wear and tear should be included under Line 520). The amounts reimbursed are subject to the maximum for the relevant voucher category.

**Repair/Replacement - Adults' Contribution**

See paragraph 11 of NHS Circular No 1989(GEN)14

**Repair/Replacement of Children's Glasses**

The cost of reimbursing opticians for the repair or replacement of children's glasses following loss or damage. (Voucher reimbursement for new children's glasses required on account of fair wear and tear should be included under Line 520). As described in Annex 4 to Memorandum to NHS Circular No 1986(GEN)13, the amounts reimbursed will represent the actual cost of repair/ replacement up to the maximum value of the relevant voucher category.

**Education and Training Payments**

Expenditure on recently agreed education and training packages for optometrists. PCA 2006 (O) 7.

**Equipment Allowance**

Payments to optometrists for new sight testing equipment PCA 2006 (O) 7.

**Hospital Eye Service**

Unified Budget payments to optometrists for provision of Hospital Eye Service.

## SALARIES AND WAGES SUMMARY

### INTRODUCTION

#### Salaries and Wages - General

This Form is an analysis of the gross cost of salaries and wages (i.e. including employer's share of national insurance and superannuation). Categories of staff are grouped to associate as closely as possible with Whitley Council and Agenda for Change Job Families. This will only include staff on the health board's own payroll not agency staff or inward secondees.

#### Payroll Costs

Include:

- 1) Pay of all staff employed by the parent NHS Board, except those excluded in 2.(3) below.
- 2) Staff charges from other NHS bodies, e.g. Specialists, Secondments, except staff employed on Trading Account activities.

Exclude:

- 3) Staff who are charged in total or in part out with the parent NHS Board where they are not engaged in a Trading Account activity. The exclusion applies to the proportion of the salary recharged to another body.
- 4) Staff charges from other NHS bodies for staff employed on Trading Account activities, e.g. Laundry, where the receiving Board records the cost as a supply charge in its Trading Account.
- 5) External staff, e.g. University and Agency staff, where the Detail codes for their pay costs falls out with the specified ranges.

These costs should be analysed over the following categories of staff:

- Specialists, Medical and Dental
- Nursing
- AHP and Pharmacists
- Other Technical
- Administrative and Clerical
- Other

## LOSSES AND SPECIAL PAYMENTS

### INTRODUCTION

#### Losses - General

SFR 18.0 is used to record a summary of all losses and special payments incurred by Boards, including those separately disclosed in SFR 18.1. The form is completed manually, as it would not be practical to allocate account codes and line narratives to cover every eventuality. The form is a memorandum form, actual costs being charged as required in the accounts. The guidance detailed in NHS Circular 1985 (GEN) 17 on losses and special payments in the hospital service and should be applied to all the services of the Board.

#### Nil Losses

If no losses have been incurred in the year of account, SFR 18.0 should still be provided as a 'nil' return.

#### Definition of a case

It is essential that accurate figures are entered against each item in the 'number of cases' column, and the following definitions of 'a case' supplement the notes to Appendix I of SHM 69/1964:

##### **Theft (excluding fraudulent)/ Arson/ Wilful Damage**

Losses arising from the same incident, irrespective of the number of persons involved, should be treated as one case. Thefts involving falsification of documentation should be classed as fraudulent and reported in the following category.

##### **Fraud / Embezzlement / Corruption / Theft (where documentation has been falsified) & attempts to perpetrate any of these activities**

Losses arising from the same incident, irrespective of the number of persons involved, should be treated as one case. Theft is included in this category as fraudulent where deliberate deception through falsification of documentation is involved. This category should include attempted cases as well as those actually perpetrated and details should be provided in SFR 18.2.

##### **Nugatory and Fruitless Payments**

All payments in respect of the same item should be counted as one case.

##### **Claims abandoned**

All claims - including RTA claims waived under paragraph 3(e) of Circular No 1981 (GEN)29 - in respect of each individual debtor should be counted as one case.

The amount to be shown against Line 15(a) should be in respect of patients who have occupied a private bed and not paid the account which has subsequently been abandoned by the NHS Board.

##### **Stores losses**

The total net losses under each subhead at any on hospital within the year should be treated as one case. This applies even if there have been two or more stock takes carried out during the year. Losses in different departments

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of the same hospital, disclosed at stocktaking or physical check, should not be counted separately.

**Losses of Furniture & Equipment and Bedding & Linen in circulation**

The total net losses under each subhead at any on hospital within the year should be treated as one case. This applies even if there have been two or more physical checks carried out during the year. Losses in different departments of the same hospital, disclosed at physical check, should not be counted separately.

Guidance is given for the control of bedding and linen in NHS Circulars 1976 (GEN)80 and in 1982 (GEN)1, including identification of losses to be reported on SFR 18.0. Linen in stores losses to be reported in lines 16 - 19, as appropriate. Theft/Arson/Wilful Damage to Linen to be reported in line 7. Losses of Bedding and Linen in circulation should be valued at 50% of the current replacement cost.

**Compensation payments - legal obligation**

Payments made under legal obligation, in terms of the Dear Treasurer letter of 1 June 1990, ref. GEJ/6/1 should be recorded at Line 23 or 24. The corresponding Detail Codes are 3934, 5532 and 5533.

The gross amount of the compensation payment should be shown here notwithstanding that the charge in the accounts may be reduced to reflect the central contribution from the CNORIS scheme in line with the current limits.

**Ex-gratia payments**

Payment of extra contractual sums to contractors should be treated as ex-gratia payments and recorded at line 25 of SFR 18.0.

Compensation payments which are genuine ex-gratia in terms of paragraph 9(ii) of memorandum SHM69/1964 should be recorded at Line 26 or 27. The corresponding Detail Codes are 3932 and 5531.

**Damage to Buildings and Fixtures**

The total net losses arising from the same incident should be treated as one case.

**Extra-Statutory & Extra-regulatory Payments**

Boards should only make such payments that have specific approval of Scottish Ministers.

**Gifts in cash or kind**

The total gift arising from the same decision should be treated as one case. Boards should however consider making gifts appropriate to their functions in recognition of benefits received.



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**Other Losses**

Those losses which do not broadly fall within the above definitions and which would have previously been defined as 'Cash Losses - overpayments of salaries, wages and allowances' or 'Cash Losses - Other' should be included within this heading. The total net losses arising from the same incident should be treated as one case.

**Losses Register**

In all cases, losses should be recorded in the Losses Register and reported in the year in which they are discovered even if it is considered that there is a possibility of recovery. The losses on SFR 18.0 should be an abbreviated extract of the entries in the Losses Register.

**Losses - charging in accounts**

All losses should be reported in SFR 18 as a memorandum and charged to the accounts only where appropriate. Note that although the charge in the accounts may be net of recovery or a contribution from the Scottish Government or other NHSScotland body, SFR 18 should normally show the gross amount of the loss.

**Prosecution/Other Actions**

Where details are given of losses due to theft, arson etc, a note should be added indicating that prosecution has been or will be undertaken wherever appropriate or practicable. With respect to fraud/attempted fraud, actions taken or in prospect, such as prosecution, discipline or recoveries, should be noted on SFR 18.2.

**Road Traffic Acts**

For accidents occurring on or after 1 April 1980 Boards are authorised to waive claims under the Road Traffic Act 1960, against insurance companies as provided for in paragraph 3(e) of NHS Circular No 1980(GEN)8 up to a maximum limit of £1,381.75 without reference to the Department. From 5th April 1999 new central arrangements came into effect. MEL (1999)2 dated 12<sup>th</sup> January refers.

**Recovered losses**

Losses of any kind which have been fully recovered in the same financial year as the loss was incurred should still be recorded on SFR 18.0. Losses which have been partly recovered in the same year of account as the incident causing the loss should be recorded gross against the appropriate item. It should be noted that moneys accruing to staff during suspension prior to dismissal, or otherwise not earned, cannot be used to reduce the gross amount of a loss; such moneys, if recorded in the accounts as expenditure, should be credited to the appropriate head, e.g. salaries and wages. Recovery from a third party may be applied towards the cost of reinstating the damage or replacing the damaged items leaving only the net cost as expenditure, if the recovery is received in the same year of account as the payment for replacement is made. Otherwise recoveries should be treated as Income.

**Current and prior year totals**

The total amount of each loss should be entered, not merely the amount applicable to the year of account.

**Write-off - Higher Authority**

Losses which appear to require higher authority should be notified to the SGHSCD at the time of discovery; application for write-off authority should follow as soon as the

## Unified Board Accounts Manual

full facts of the losses have been established, and should not be delayed until the annual accounts are submitted.

**Write-off - Authority**

A separate return (SFR 18.1b) should be made listing all cases summarised on SFR 18.0 where higher authority for a write-off is necessary. The return should identify the date the authority was granted and should include those cases for which an application has still to be submitted.

Boards should provide the total cost of each case and give a brief description of the nature of the loss. These details should be classified according to the types of losses within the delegated authorities detailed below. Cases relating to clinical negligence should be suitably anonymised.

**Delegated Limits**

Limits delegated to health bodies in respect of Compensation Payments were revised with effect from 1 August 2001 and are outlined in HDL(2001) 65, Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) and are as follows:

Clinical Compensation Payments	£250,000
Non-clinical Compensation Payments	£100,000
Financial Losses	£25,000

All remaining limits delegated to health bodies were revised with effect from 1 April 1990 and are given in a Dear Treasurer letter dated 23 October 1990, reference GEJ/6/1. These delegated limits, for each Category of Board, are set out on form SFR 18.1a and cover:

Cash Losses, Fruitless payments, Bad Debts and claims abandoned.  
Stores, Furniture, Equipment, Bedding and Linen  
except theft, fraud, arson or count discrepancies of bedding and linen

Extra-statutory & extra regulatory payments  
Ex-gratia payments - contractors  
Gifts and other ex-gratia payments

**Confidentiality**

Care should be taken to ensure that the details disclosed do not permit any individual, whether a member of staff or a patient, to be identified.

**Fraud/Embezzlement/Corruption/Theft – SFR 18.2**

CEL 10 (2010) outlines the revised arrangements for the enhanced reporting of Fraud and attempted Fraud activity within the NHS.

The completed SFR 18 forms should accompany the annual Health Board accounts when forwarded to the Scottish Government, rather than forming part of these.

Directors of Finance and Directors of Human Resources are asked to:

- use the SFR 18.2 form to gather and record in full the information required on frauds/attempted frauds;

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- ensure that the requirements for reporting quarterly as requested in CEL 10 (2010) are properly fulfilled ensuring that the cases reported go wider than those where evidence is to the criminal standard;
- forward the required information to NHSScotland Counter Fraud Services on a quarterly basis to enable completion of a consolidated form SFR 18.2 incorporating CFS comments for each Board;

The Head of Service, CFS, is asked to:

- where returns appear to be incomplete, resolve any issues with the Director of Finance of the relevant Board;
- forward the completed SFR 18.2 to the Director of Finance at each Board in accordance with the Annual Accounts timetable; and
- forward all completed Board SFR 18.2 forms to Audit Scotland along with all covering letters for circulation to auditors.

**Notes for the completion of SFR18.2 are set out below.**

1. Recording

Where a fraud or attempted fraud has no attributable monetary value (e.g. in the falsification of job references uncovered before employment commences) the case will be recorded with a value of 'n/a'.

2. Definitions

1. Fraud
2. Attempted Fraud
3. Embezzlement
4. Attempted Embezzlement
5. Corruption
6. Attempted Corruption
7. Theft (where documentation has been falsified)
8. Attempted Theft (where documentation has been falsified)
9. Other Irregularities (monies inappropriately claimed or paid but where there is insufficient evidence to establish whether the loss was attributable to fraud or error)

4. Loss Area

1. Cash
2. Stores/procurement
3. Equipment
4. Contracts
5. Payroll
6. Other

5. General

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The Scottish Government Health and Social Care Directorates (SGHSCD) wish to obtain as full a picture as possible of frauds committed or attempted against the NHS. Consequently, where an unusual fraud or attempted fraud is identified, a description should be listed in the classification column on SFR18.2, alongside the number corresponding to the category. It is accepted that certain frauds can only be measured on a national basis. For this reason, CFS will supply SGHSCD with such national data separately from individual Board SFR forms.

## **PATIENTS' PRIVATE FUNDS**

### **INTRODUCTION**

#### **Patients' Funds - Certification**

This Return is a consolidation of the abstract of receipts and payments for each individual hospital. It should be certified by the Director of Finance and, after presentation to the Board, by the Chief Executive.

#### **Audit Certificate**

The precise wording of the audit report should be agreed with your auditors. However it should cover at least the following points:

They have audited the Abstract of Receipts and Payments of Patients' Funds in accordance with approved Auditing Standards.

That in their opinion the statement presents fairly the state of the funds administered by the Board on behalf of its patients, as at 31st March 20xx

The audit report should be signed by them using the designation 'Registered Auditor'. It should be dated when all the audit work is completed, after the approval of the abstract by the Board. Normally this would be the same day.

#### **Manual completion**

Patients' funds are not assets of the NHS Board, and records of them are not kept in the health body's own financial ledgers. Accordingly no national accounting specification is available. This return should be completed from the separate records kept.

**BALANCES WITH OTHER NHSScotland BODIES****INTRODUCTION****General**

This SFR shows the balances at the year end and income and expenditure in year between NHSScotland bodies including those relating to funding. Specific guidance is provided in the table below:

<b>Include</b>	<b>Exclude</b>
Funding provided by NSD	Family Health Service transactions

The totals shown in SFR 30.0 must agree with the NHS receivables and payables reported in Notes 13 and 16 and NHS Income reported in note 8.

**Agreement of Balances**

Indebtedness between NHSS bodies must be eliminated on consolidation so that only net indebtedness is reported in each set of NHS accounts. The totals of amounts due to and from all bodies on SFR 30.0 should therefore be equal. Thus it is necessary that all bodies agree the intra-NHSS debtor and creditor balances to be reported in their accounts. Nil balances should also be agreed.

**Threshold**

Balances should be agreed to within a difference of £100,000 to avoid spending significant time resolving insignificant differences.

**Disputes**

Health bodies should resolve any disputes or disagreements on balances within the above threshold by the year end. The persons named in the contact list below should be contacted in the first instance to agree balances. Failure to agree balances to within this limit should be notified to the SGHSCD as soon as possible.

For balances that cannot be resolved within this timescale the charging body is entitled to show the full amount of any disputed charge and the body being charged must also show this amount provided that the transactions meet the criteria outlined below. **This is not to be taken as acceptance of the charge nor agreement to pay.**

**Preparation**

A pre year-end exercise is carried out during January. Charging bodies must notify paying bodies of all amounts outstanding as at 31<sup>st</sup> December using the template letter. This will help to resolve any issues in advance of the year-end. Charging bodies are encouraged to send statements on a regular basis.

**Charges - Cut-off date**

Charging bodies must notify paying bodies by 12 April of all amounts charged to them in the current financial year. After this date, charges for goods or services provided before the year end must be accounted for in the new financial year.

**Cash Transactions**

Agreement of balances is to include cash transactions which take place before the end of the financial year, i.e. before 31 March. As each party should report the same amount, adjustments may be required to ensure that any cash in transit at the end of the year is correctly recorded by both the payer and the recipient. To avoid such timing differences the final date by which payments can be made to other NHSS bodies without agreement within any financial year is 22 March. Any outstanding transfers should be agreed by 5 April.

**Deadline for the agreement of balances**

The final date for the agreement of intra- NHSS balances and in-year trading is 19 April. It is important, to allow the finalisation of annual accounts to the agreed timetables, that this date is adhered to. The period from 12 to 19 April is intended for the resolution of disputes arising from charges notified by the 12 April. No new charges may be notified during this period.

**Gross Balances**

In cases where a body has both a debtor and creditor balance with another health body, only the debtor balance should be included in the letter from the charging body.

**Payments on Behalf**

The National Services Scotland (NSS) payment on behalf charges for IT and Logistics services form part of the SFR 30.0 NHS Board In-year Trading figures. However, as these amounts can be taken directly from the monthly advice notes sent by SGHSCD, there is no need to include them in the letter for agreement.

**Bad Debt Provisions**

In the exceptional case where a balance with another NHSS body has been included within the provision for bad debts, then the balance must be included on the SFR30.0 and SGHSCD advised of the amount and the reason for the inclusion within the provision.

**Responsibilities**

It is the responsibility of the charging bodies to issue the letter and supporting documentation to the paying bodies. The paying bodies must review and agree the information sent by the charging bodies.

**Letter and Supporting Documentation**

Below is the template letter to be used by all NHSS bodies for the agreement of SFR 30.0 balances. This must be accompanied by a breakdown of transactions for each category within the letter. The information required is as follows:

- 1) Invoice Date
- 2) Invoice Number
- 3) Invoice Amount
- 4) Description and name of contact at paying body for accruals

**Below is a suggested template to be used by all Boards for the agreement of SFR 30 balances.**

**NHS Board  
Address Details**

Date  
Our ref  
Enquiries to  
Direct Line  
Email

Dear Colleague,

**Inter NHS Balances Sales Ledger – Annual Accounts [insert year] – SFR30.0**

I write with reference to SFR30.0 and would ask that you confirm the undernoted balance to [insert Board name] as at 31<sup>st</sup> March [insert year] and record the balances as noted below in the Annual Accounts SFR 30.0 return.

Outstanding invoices/credits at 31 <sup>st</sup> March [insert year]	
Accrued income	
Prepaid expenditure	
<b>Total Outstanding ( SFR 30 Due to/Due from total)</b>	<b>0</b>
Invoices/credits issued in [insert year]	
Reversing Accrued Income (agreed previous year)	
Accrued income	
<b>Total Inter Board Trading (SFR 30 Income from/Expenditure with total)</b>	<b>0</b>

*(Please note amounts are to be agreed to the nearest £100,000.00)*

If these amounts are in agreement with your ledger, please sign and return one copy of this letter by [insert date as per manual]

Yours sincerely,

Credit Controller

.....  
The above balances are confirmed as correct at [insert date]

Name \_\_\_\_\_

Signature \_\_\_\_\_

Designation \_\_\_\_\_

NHS Board \_\_\_\_\_

Date \_\_\_\_\_



**Agreeing of SFR30 Balances - Contact List Payables & Expenditure**

<b>NHS Board</b>	<b>Senior Contact</b>	<b>Contact Name</b>	<b>Email</b>	<b>Address</b>	<b>Tel</b>	<b>Fax</b>
<b>Ayrshire &amp; Arran</b>	Alan Farrow Financial Controller <a href="mailto:Alan.Farrow@aapct.scot.nhs.uk">Alan.Farrow@aapct.scot.nhs.uk</a> 01292 513309	Anne Thomson	<a href="mailto:anne.thomson1@nhs.net">anne.thomson1@nhs.net</a>	Greenan House, Finance Division, P O Box 13, Ailsa Hospital, Dalmellington Road, AYR, KA6 6AB	01292 513770	01292 513761
<b>Borders</b>	Susan Swan <a href="mailto:susan.swan@borders.scot.nhs.uk">susan.swan@borders.scot.nhs.uk</a> 01896 825551	Angela Owen	<a href="mailto:Angie.Owen@borders.scot.nhs.uk">Angie.Owen@borders.scot.nhs.uk</a>	NHS Borders, Finance Department, Rushbank, Newstead, Melrose, Roxburghshire,TD6 9DB	01896 828257	01896 828280
<b>Dumfries &amp; Galloway</b>	Ieuan Morgan <a href="mailto:ieuan.morgan@nhs.net">ieuan.morgan@nhs.net</a> 01387 244094	Pat Menzies	<a href="mailto:Pat.menzies@nhs.net">Pat.menzies@nhs.net</a>	High South Crichton Hall Bankend Road Dumfries DG1 4TG	01387-244384	0138724 4345
<b>Fife</b>	Mark Doyle Assistant Director of Finance <a href="mailto:markdoyle@nhs.net">markdoyle@nhs.net</a> 01592 648146	Isabel Hyndman	<a href="mailto:ihyndman@nhs.net">ihyndman@nhs.net</a>	Financial Services Centre Evans Business Centre Mitchelston Drive Kirkcaldy KY1 3NB	01592 643355 EXT 8533	01592 648061

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## Introduction

<b>Forth Valley</b>	Christine Carruthers  christine.carruthers@nhs.net  01324 624 000 ext 5041	Donna Kerr	<a href="mailto:FV-UHB.ledgershelpdesk@nhs.net">FV-UHB.ledgershelpdesk@nhs.net</a>	Forth Valley NHS Board , Forth Valley Financial Services , Westburn Avenue , Falkirk , FK1 5SU	01324 678532	01324 678595
<b>Grampian</b>	Alex Hunter  <a href="mailto:Alex.Hunter@nhs.net">Alex.Hunter@nhs.net</a>  01224 556572	Linda Finnie	<a href="mailto:linda.finnie@nhs.net">linda.finnie@nhs.net</a>	Westholme, Woodend Hospital, Queens Road, Aberdeen, AB15 6LS	01224 556753	01224 556476

NHS Board	Senior Contact	Contact Name	Email	Address	Tel	Fax
<b>Greater Glasgow</b>	Gordon Wallace <a href="mailto:Gordon.Wallace@ggc.scot.nhs.uk">Gordon.Wallace@ggc.scot.nhs.uk</a> 0141 278 2808	Lynda Campbell	<a href="mailto:Lynda.campbell@ggc.scot.nhs.uk">Lynda.campbell@ggc.scot.nhs.uk</a>	Financial Services, Caledonia House, 140 Fifty Pitches Road, Glasgow G51 4ED	0141 278 2717	0141 278 2720
<b>Highland</b>	David Munro <a href="mailto:david.munro1@nhs.net">david.munro1@nhs.net</a> 01463 704836	Neil Fraser	<a href="mailto:neil.fraser1@nhs.net">neil.fraser1@nhs.net</a>	Accounts Payable Supervisor Assynt House Beechwood Inverness IV2 3BW	01463 704840	01463 704925

## Unified Board Accounts Manual

## Introduction

<b>Lanarkshire</b>	Val McCaskie <a href="mailto:Val.Mccaskie@lanarkshire.scot.nhs.uk">Val.Mccaskie@lanarkshire.scot.nhs.uk</a> 01236 713204	Denise Bolton	<a href="mailto:Denise.Bolton@lanarkshire.scot.nhs.uk">Denise.Bolton@lanarkshire.scot.nhs.uk</a>	NHS Lanarkshire Corporate Services Monklands Hospital, Monkscourt Avenue Airdrie, ML6 0JS	01236 713213	01236 713203
<b>Lothian</b>	Doreen Howard  <a href="mailto:Doreen.howard@luht.scot.nhs.uk">Doreen.howard@luht.scot.nhs.uk</a>	Jim Old	<a href="mailto:jim.old@luht.scot.nhs.uk">jim.old@luht.scot.nhs.uk</a>	Financial Services 1st Floor, Pentland House 47 Robb's Loan Edinburgh EH14 1TY	0131 465 7772	0131 465 7798
<b>Orkney</b>	Sanjay Shah <a href="mailto:sanjay.shah@nhs.net">sanjay.shah@nhs.net</a> 01856 888287	Karina Alexander	<a href="mailto:Karina.alexander@nhs.net">Karina.alexander@nhs.net</a>	Finance Department Garden House, New Scapa Road, Kirkwall, Orkney KW15 1BQ	01856 888 017	01856 888 047
<b>Shetland</b>	Karl Williamson <a href="mailto:karlwilliams@nhs.net">karlwilliams@nhs.net</a> 01595 74 3301	Judith Massey or Uthai Macow	<a href="mailto:Judith.massey@nhs.net">Judith.massey@nhs.net</a> or <a href="mailto:Uthai.macow@nhs.net">Uthai.macow@nhs.net</a>	Finance Dept, GBH, Lerwick, Shetland	01595 743302	01595 694103

NHS Board	Senior Contact	Contact Name	Email	Address	Tel	Fax
<b>Tayside</b>	Linsey Clenaghan <a href="mailto:linsey.clenaghan@nhs.net">linsey.clenaghan@nhs.net</a> 01382 424428	Diane Kidd	<a href="mailto:diane.kidd@nhs.net">diane.kidd@nhs.net</a>	Management Accountant, Maryfield House North, 30 Mains Loan, DUNDEE DD4 7BT	01382 740074 ext 70304	01382 424488
<b>Western Isles</b>	Pete Cooper Principal Accountant 01851 708016 ext 3016	Evelyn Maciver	<a href="mailto:Evelyn.Maciver@wihb.scot.nhs.uk">Evelyn.Maciver@wihb.scot.nhs.uk</a>	Western Isles Health Board 37 South Beach Stornoway HJ51 2BB	01851 708012	

**Special Health Boards**

NHS Board	Senior Contact	Contact Name	Email	Address	Tel	Fax
<b>National Services Scotland</b>	John Braid John.braid@nhs.net 0131 275 6086	Lindsay Ross	<a href="mailto:Lindsay.ross2@nhs.net">Lindsay.ross2@nhs.net</a>	Head of Financial Services NHS National Services Scotland Gyle Square 1 South Gyle Crescent Edinburgh EH12 9EB	0131 275 6431	0131 275 7526
<b>NHS 24</b>	Iain Adams <a href="mailto:iain.adams@nhs24.scot.nhs.uk">iain.adams@nhs24.scot.nhs.uk</a> 0141-337- 4541 (ext 5541)	Gavin McDonald	<a href="mailto:gavin.mcdonald2@nhs24.scot.nhs.uk">gavin.mcdonald2@nhs24.scot.nhs.uk</a>	NHS 24 Caledonia House 140 Fifty Pitches Road Cardonald G51 4EB	0141 337 4548	0141- 882- 6764

<b>NHS Education for Scotland</b>	Janice Sinclair <a href="mailto:Janice.Sinclair@nes.scot.nhs.uk">Janice.Sinclair@nes.scot.nhs.uk</a> 0131 220 8669	Miriam Reid	<a href="mailto:Miriam.Reid@nes.scot.nhs.uk">Miriam.Reid@nes.scot.nhs.uk</a>	Financial Services Officer NHS Education for Scotland 2nd Floor, Hanover Buildings 66 Rose St EDINBURGH EH2 2NN	0131 220 8652	0131 220 5891
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NHS Board	Senior Contact	Contact Name	Email	Address	Tel	Fax
<b>NHS Health Scotland (HEBS)</b>	Maggie Waterston <a href="mailto:Margaret.waterston@nhs.net">Margaret.waterston@nhs.net</a> 0131 536 8775	Cameron Pryor	<a href="mailto:Cameron.pryor@nhs.net">Cameron.pryor@nhs.net</a>	Woodburn House Canaan Lane Edinburgh EH10 4SG	0131-536-5529	0131-536-8773
<b>NHS Quality Improvement Scotland</b>	Dorothy Carr <a href="mailto:dorothy.carr@nhs.net">dorothy.carr@nhs.net</a>	Jamie Sherwin	<a href="mailto:jamie.sherwin@nhs.net">jamie.sherwin@nhs.net</a>	Elliott House 8-10 Hillside Crescent Edinburgh EH7 5EA	0131 623 4617	0131 623 4382
<b>Scottish Ambulance Service</b>	Nicola Janczyk <a href="mailto:njanczyk@nhs.net">njanczyk@nhs.net</a> 0131 314 0031	Fraser Massie	<a href="mailto:f.massie@nhs.net">f.massie@nhs.net</a>	Scottish Ambulance Service National Headquarters Finance Department Gyle Square 1 South Gyle Crescent Edinburgh EH12 9EB	0131 314 0027	0131 334 4431
<b>The Golden Jubilee National Hospital</b>	Lily Bryson <a href="mailto:lily.bryson@gjnh.scot.nhs.uk">lily.bryson@gjnh.scot.nhs.uk</a> 0141 951 5086	Christine McCann	<a href="mailto:Christine.mccann@gjnh.scot.nhs.uk">Christine.mccann@gjnh.scot.nhs.uk</a>	Assistant Financial Services Manager National Waiting Times Centre Board Beardmore Street Clydebank G81 4HX	0141 951 5057	0141 951 5110
<b>The State Hospital</b>	Cathy Romer <a href="mailto:cromer@nhs.net">cromer@nhs.net</a> 01555 842124	Karen Aitken	<a href="mailto:Karen.aitken1@nhs.net">Karen.aitken1@nhs.net</a>	Finance Dept Lampits Road Carstairs Junction, Lanark, ML11 8RP	01555 842194	01555 842291

<b>Mental Welfare Commission Mental Welfare Commission</b>	Alice Wallace <a href="mailto:AWallace@mwscot.org.uk">AWallace@mwscot.org.uk</a> 0131 222 6100 Alice Wallace <a href="mailto:AWallace@mwscot.org.uk">AWallace@mwscot.org.uk</a> 0131 222 6100	Kathleen GlassKathlee n Glass	<a href="mailto:Kathleen.Glass@mwscot.org.uk">Kathleen.Glass@mwscot.org.uk</a> <a href="mailto:Kathleen.Glass@mwscot.org.uk">Kathleen.Glass@mwscot.org.uk</a>	K Floor Argyle House 3 Lady Lawson Street Edinburgh EH3 9SHK Floor Argyle House 3 Lady Lawson Street Edinburgh EH3 9SH	0131 222 61520131 222 6152	0131 222 61120131 222 6112
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**Agreeing of SFR30 Balances - Contact List Receivables & Income**

<b>NHS Board</b>	<b>Senior Contact</b>	<b>Contact Name</b>	<b>Email</b>	<b>Address</b>	<b>Tel</b>	<b>Fax</b>
<b>Ayrshire &amp; Arran</b>	Alan Farrow Financial Controller <a href="mailto:Alan.Farrow@aapct.scot.nhs.uk">Alan.Farrow@aapct.scot.nhs.uk</a> 01292 513309	Anne Thomson	<a href="mailto:anne.thomson1@nhs.net">anne.thomson1@nhs.net</a>	Greenan House, Finance Division, P O Box 13, Ailsa Hospital, Dalmellington Road, AYR, KA6 6AB	01292 513770	01292 513761
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<b>Dumfries &amp; Galloway</b>	Ieuan Morgan <a href="mailto:ieuan.morgan@nhs.net">ieuan.morgan@nhs.net</a> 01387 244094	Audrey Lyon	<a href="mailto:audrey.lyon@nhs.net">audrey.lyon@nhs.net</a>	Credit Controller, Dumfries & Galloway Health Board, High South, Crichton Hall, Bankend Road, Dumfries DG1 4TG	01387-244088	01387-244345
<b>Fife</b>	Mark Doyle Assistant Director of Finance <a href="mailto:markdoyle@nhs.net">markdoyle@nhs.net</a> 01592 648146	Isabel Hyndman	<a href="mailto:ihyndman@nhs.net">ihyndman@nhs.net</a>	Financial Services Centre Evans Business Centre Mitchelston Drive Kirkcaldy KY1 3NB	01592 643355 EXT 8533	01592 648061
<b>Forth Valley</b>	Christine Carruthers  <a href="mailto:christine.carruthers@nhs.net">christine.carruthers@nhs.net</a>	Donna Kerr	<a href="mailto:FV-UHB.ledgershelpdesk@nhs.net">FV-UHB.ledgershelpdesk@nhs.net</a>	Forth Valley NHS Board , Forth Valley Financial Services , Westburn Avenue , Falkirk, FK1 5SU	01324 678532	01324 678595



	01324 624 000 ext 5041					
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## Unified Board Accounts Manual

## Introduction

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## Agreeing of SFR30 Balances - Contact List Receivables &amp; Income

## Special Health Boards

NHS Board	Senior Contact	Contact Name	Email	Address	Tel	Fax
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<b>NHS Education for Scotland</b>	Janice Sinclair <a href="mailto:Janice.Sinclair@nes.scot.nhs.uk">Janice.Sinclair@nes.scot.nhs.uk</a> 0131 220 8669	Chris Riley	<a href="mailto:Chris.Riley@nes.scot.nhs.uk">Chris.Riley@nes.scot.nhs.uk</a>	Financial Assistant NHS Education for Scotland 2nd Floor, Hanover Buildings 66 Rose St EDINBURGH EH2 2NN	0131 220 8677	0131 226 3580

## Unified Board Accounts Manual

## Introduction

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NHS Board	Senior Contact	Contact Name	Email	Address	Tel	Fax
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## WHOLE OF GOVERNMENT ACCOUNTS

### INTRODUCTION

The Whole of Government Accounts project was split into two main stages, the first of which was to produce Central Government Accounts (CGA) to cover all 'central government bodies' for the financial year, 2003/04. The second main stage was to produce WGA for the financial year 2005/06 onwards.

As NHS Boards fall within the boundaries of CGA these SFRs are used to gather information on the debtor/creditor balances with other CGA and WGA bodies as reported in the Annual Accounts for the year. It should be noted that balances and transactions with The Scottish Public Pensions Agency in respect of NHS Superannuation should not be included and Audit Scotland is no longer classified as a CGA or WGA body.

#### Gross Balances

In cases where a body has both a receivables and a payables balance with another body, the balances must be shown separately to facilitate the consolidation process

#### Balances Reported

Inter NHS balances should be those reported on the SFR 30.

#### Bad Debt Provision

In the exceptional case where a balance with another body has been included within the provision for bad debts, then the balance must be included and a separate disclosure made of the amount and the reason for the inclusion within the provision.

#### Transaction Streams

Transaction streams refer to any income/expenditure which is included in the accounts received from/paid to another Whole of Government Accounts body during the financial year

#### CGA Bodies

Balances or transactions with any of the Scottish CGA bodies identified should be recorded on the lines shown in the SFR. It is also necessary for Scottish NHS bodies to identify any balances/transactions streams they have with other UK CGA bodies. Guidance is available from:

<http://www.scotland.gov.uk/Topics/Government/local-government/17999/LAacc/WGA>

NHS Boards should only agree balances with those bodies with which they have had any transactions with during the year. Nil balances will not require to be agreed. Boards should enter the name of any such other CGA body together with relevant amounts in the blank lines available. Lines for HM Revenue and Customs and Department of Work and Pensions have been linked to the relevant receivables and payables notes in the accounts.

#### WGA Bodies

As WGA accounts are due to be prepared for 2014-15, boards will also be required to agree balances with bodies within the WGA boundary. This includes local authorities and NHS Trusts in England and Wales. Balances or transactions with any of the Scottish WGA bodies identified should be recorded on the lines shown in the SFR.

NHS Boards should only agree balances with those bodies with which they have had any transactions and enter the name of any such other WGA body together with relevant amounts in the blank lines available.

## **PRIVATE PATIENTS AND AMENITY BEDS**

### **INTRODUCTION**

#### **General**

The requirement to produce Memorandum Trading Accounts for Private Patients and Overseas Visitors is covered by a number of circulars, the most recent at the time of introduction of SFR 36.0 (financial year 1990-91) being NHS Circular 1990(GEN) 6. This circular reaffirmed that responsibility for setting prices had been delegated to health bodies, and also the requirement to prepare Memorandum Trading Accounts.

#### **Basis of preparation**

From 1994-95, SFR 36 has been confined to a return of statistics and charges relating to private patients and to amenity beds; cost information is also required.

**PRIVATE PATIENTS****Private Inpatients - Whole Cost****Private Inpatients - Part Cost****Overseas Inpatients**

Whole Cost cases are those cases where the cost charged by the NHS Board includes the cost of consultant salaries. Part Cost cases are those cases where the cost charged by the NHS Board does not include the cost of consultant salaries, in recognition of the fact that consultants will be charging separately for their professional services. In both cases, the full definition of Whole Cost and Part Cost is the same as for the corresponding lines in SFR 3.0.

The charges reported in SFR 36.1 should correspond with the income reported in SFR 3.0.

Normally statistics will be derived from invoicing records.

**Private Outpatient Attendances****Overseas Outpatient Attendances****Private Day-Case Attendances****Overseas Day-Case Attendances**

As with inpatients, the charges reported in SFR 36.0 should correspond with the Income reported in SFR 3.0.

Normally statistics will be derived from invoicing records.

**AMENITY BEDS****Patients' Charges**

This should be the same as for the corresponding line in SFR 3.0.

Normally statistics will be derived from invoicing records.

**STATISTICS****Authorised private in-patient beds**

The number of bed authorisations (excluding emergency) for private in-patients under the delegated powers of section 57 of the NHS (Scotland) Act 1978 as amended.

**Authorised private emergency beds**

The number of emergency bed authorisations for private in-patients under the delegated powers of section 57 of the NHS (Scotland) Act 1978 as amended.

**No. of amenity beds**

The maximum number of amenity beds available at any one time in the Board.

**No. of available amenity bed-days**

The number of bed days when amenity beds were occupied by or available for patients electing to pay charges.



**ANALYSIS OF LAND, BUILDINGS AND DWELLINGS AND ASSETS HELD UNDER  
FINANCE LEASES, HIRE PURCHASE AND HELD ON THE BALANCE SHEET PFI  
CONTRACTS**

All 4 tables in SFR 37 are required for consolidation purposes. The figures inserted in the 4 tables should agree with the figures used for Note 11a, 11b and 11c on Purchased Assets, Donated Assets and the Non-current asset Disclosures.

**PAYMENT POLICY**

Please provide the details as disclosed in the Directors' Report. In addition please provide details of volumes and values of invoices used for the calculation of consolidated average figures.

The Accounts payable action group recently reviewed the 10 day payment performance guidance and have issued the following guidance:

- By invoice date – for the 10 day payment target this is the invoice date plus 14 days. This is 10 days plus 4 days to allow for postage and weekends.
- By received date – This is the received date at the designated address i.e. Accounts Payable. Therefore it is that date (registration date) plus 14 days to allow for weekends and payment time to arrive at suppliers.
- It should be reconfirmed to all Boards that this is the criteria set by the APFG in line with guidance.

NB Extract from guidance "The target applies to valid invoices rendered to the correct address - organisations are responsible for making sure their own suppliers understand their criteria for these two conditions to be met".

**RESOURCE AND CASH OUTTURN**

Please provide the details as disclosed in the Directors' Report.

**SICKNESS ABSENCE**

Please provide the sickness absence data as disclosed in the Directors' Report.