



ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2016

NHS 24

ANNUAL REPORT, ACCOUNTS and NOTES for the year ended 31 MARCH 2016

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NHS 24

ANNUAL REPORT, ACCOUNTS and NOTES for the year ended 31 MARCH 2016

ANNUAL REPORT

A. THE PERFORMANCE REPORT

1. Overview

In 2015/16, NHS 24 delivered a range of person centred, safe and effective services to the people of Scotland.

NHS 24 was established in April 2001, under the National Health Service (Scotland) Act 1978, and is responsible for the delivery of clinical assessment and triage, health advice and information by telephone and online services to the population of Scotland 24 hours a day, 365 days a year. NHS 24 is also Scotland's provider of a national telehealth service. Specifically, the role of NHS 24 is to:

- provide clinical triage and consultation to ensure that patients are supported with information or referred to the appropriate services for face to face consultation;
- work in partnership with local health services provided by NHS Boards, Integrated Joint Boards, NHS staff organisations and local communities through integration with other parts of the NHS. In particular, the Primary Care Out-of-Hours Services provided by NHS Boards throughout Scotland, the Scottish Ambulance Service (SAS) and the NHS Board Emergency Departments;
- work to support national initiatives, specifically the national review in 2015/16 on improving urgent care. NHS 24 set out proposals do this by assisting patients, carers, their families and health and care professionals to access the correct service, make the right decision, at the right time, using the right information;
- focus on the individual patient or carer needs, recognising that it is unreasonable to expect that at a time of stress or distress they will make the right decision every time in relation to which part of the health or social care system they should contact. NHS 24 has set a vision for 2020/21 to support this by offering a citizen-friendly, "navigation-free" access route into health and social care services. If the NHS 24 infrastructure and capabilities were to be deployed in this way, NHS 24 has the potential to achieve greatly simplified access for service users at the same time as reducing pressure on overstretched parts of the system;
- support the health improvement agenda across Scotland by working in partnership with local NHS Boards to provide added value services where and when required, utilising the IT telephony and infrastructure to benefit patients 24 hours a day;
- improve the diversity of the membership of the NHS 24 Public Partnership Forum, further developing volunteering in NHS 24 to ensure that patients and the public continue to remain involved in key service developments;
- engage routinely with patient representatives through its established public involvement forums.

Key issues and risks which required to be managed by the NHS Board in delivering its objectives during 2015/16 included:

- Significant organisational, reputational and financial risks associated with the unsuccessful implementation of the Future Programme. NHS 24 carried out an extensive lessons learned exercise in December 2015 which set out clearly and accurately the issues which arose that caused the Future Programme system to be withdrawn from service on patient safety grounds in November 2015. This report was shared with the Scottish Government and the Scottish Parliament and the recommendations from it will be used to positively inform the success of the reintroduction of the system.
- In October 2015 the Auditor General issued a Section 22 report on the Future Programme, this was presented to the Public Audit Committee of the Scottish Parliament on 2 December 2015. Audit Scotland presented the report and the NHS 24 external auditor from Scott-Moncrieff gave evidence. The Chief Executive and the Director of Finance were invited to give evidence to the Public Audit Committee on 20 January 2016.
- During the year challenges have also been experienced by the wider out of hours system, with territorial NHS Boards having, at times, difficulty filling GP rotas, thus reducing their capacity to take pre-prioritised calls for NHS 24. Despite these in-year challenges, NHS 24 worked collaboratively with partners to ensure performance against Key Performance Indicators (KPIs) was maintained and that the service continued to deliver a safe and effective service to our patients.
- During 2015/16, there were a number of changes to the leadership of the organisation. There were 3 Chief Executives in post during the financial year. In addition the Director of Finance acted as Accountable Officer for a short period between Chief Executive appointments.
- In addition to the significant operational issues faced by the organisation, as a result of the Future Programme withdrawal, the leadership changes noted above also required to be successfully managed and embedded within the overall management and governance arrangements. Despite this challenging set of circumstances the organisational delivery was maintained effectively throughout the year.

2. Performance Analysis

As with other Health Bodies, the finances of NHS 24 are subject to resource limit controls. SGH&SCD sets three annual budget limits. These limits are:

- a) Revenue Resource Limit - a resource budget for ongoing operations;
- b) Capital Resource Limit - a resource budget for net capital investment; and
- c) Cash Requirement - a financing requirement to fund the cash consequences of the ongoing operations and the net capital investment.

NHS 24 is expected to operate within these limits and report on any variations from the limits as set.

The performance against the targets is as follows:

	Limit as set	Actual	Variance	
	by SGH&SCD £'000	outturn £'000	(over)/under £'000	%
Revenue Resource Limit (RRL)	74,237	74,182	55	0.07
Of which:				
Core Revenue Resource Limit	73,378	73,323	55	0.07
Non-Core Revenue Resource Limit	859	859	0	0.00
Capital Resource Limit (CRL)	90	87	3	3.33
Of which:				
Core Capital Resource Limit	90	87	3	3.33
Non-Core Capital resource Limit	0	0	0	0.00
Cash Requirement	78,863	78,863	0	0.00

MEMORANDUM FOR IN-YEAR OUTTURN

	2016 £'000
Brought forward deficit / (surplus) from previous financial year	<u>(1,799)</u>
Saving / (excess) against in-year Revenue Resource Limit	<u>(1,744)</u>

Comments on the RRL

During 2015/16, NHS 24 reported an underspend of £0.055 million against the budgeted RRL of £74.237 million (£73.378 million core and £0.859 million non-core). Of the £74.237 million received in year, a total of £1.581 million related to earmarked recurrent funding.

Of the earmarked funding, significant allocations included funding for the Breathing Space service and eHealth, although the funding for Breathing Space is earmarked (non-recurring), the costs incurred by NHS 24 are recurring.

Comments on the CRL

During 2015/16, the capital expenditure for NHS 24 was £0.087 million. This represents a £0.003 million underspend against the Capital Resource Limit allocation of £0.090 million.

The majority of the capital purchases made by NHS 24 during 2015/16 were on facilities schemes, including the replacement of boilers and air conditioning systems.

Financial brokerage

Following submission of a Full Business Case in December 2011, it was agreed that NHS 24 would receive financial brokerage to support the implementation phase of the new contracts for the Strategic Frontline Applications (SFLA) programme, now renamed Future Programme. The brokerage received in 2011/12 was £0.320 million, £16.577 million was received in 2012/13 and a further £3.859 million in 2013/14, taking the total to £20.756 million. NHS 24 repaid £0.400 million of brokerage in 2014/15 and will repay the remaining amount over a four year period from 2017/18 to 2020/21.

Provision for bad and doubtful debts

A provision of £1k has been made in relation to debtors where it is deemed unlikely that NHS 24 will be able to recover these costs.

Accounting convention

The Annual Accounts 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 has been included as an annex to the accounts.

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

Under these accounting arrangements Health Boards must show liabilities for future years in their accounts without showing funding anticipated from the SGH&SCD. 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.

Statement on Regularity

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

Performance against key non-financial targets

NHS 24 continues to achieve its service standards. During 2015/16, focus has remained on maximising efficiency and effectiveness in order to improve performance across all areas of frontline operations.

NHS 24 achieved all but one of the Key Performance Indicators (KPIs) during 2015/16.

In line with SGH&SCD guidance, the Board developed a Local Delivery Plan for 2015/16 and received reports at each meeting on progress against the targets. Comments on each of the targets for 2015/16 are provided below:

HEAT	SMART OBJECTIVE	PLANNED PERFORMANCE	ACTUAL PERFORMANCE
<i>Health</i>	Increase the number of referrals (of potential quits) to Boards against the number of calls to service	5.00%	9.20%
<i>Efficiency</i>	Operate within Revenue Resource Limit; operate within Capital Resource Limit; meet cash requirement	Meet financial targets	Target met
<i>Access</i>	For those Boards participating in the "Living Life Service reduce mood / depression rates by 60% for patients completing the treatment. (annual average of at least a 50% decrease in (Cognitive Behavioural Therapy) PHQ-9	60.00%	70.76%

	scoring).		
<i>Access</i>	For those Boards participating in the "Living Life Service Reduce anxiety / worry rates by 60% for patients completing the treatment. (annual average of at least a 50% decrease in GAD-7 scoring).	60.00%	72.66%
<i>Access</i>	Annual average of 90% Calls to be answered within 30 seconds	90.00%	92.54%
<i>Access</i>	Annual average of 90% GP priority calls responded to within 20 minutes	90.00%	99.91%
<i>Access</i>	Annual average of 90% GP routine calls responded to within 60 minutes	90.00%	99.80%
<i>Access</i>	Commence 98% calls prioritised as P1 within 60 minutes	98.00%	99.74%
<i>Access</i>	Commence 90% of calls prioritised as P2 within 120 minutes	90.00%	99.65%
<i>Access</i>	Annual average of 80% calls to the Health Information Service answered within 60 seconds	80.00%	91.79%
<i>Access</i>	Maintain 95% of D1 calls responded to within 45 minutes	95.00%	99.44%
<i>Access</i>	Maintain 90% of D3 calls responded to within 180 minutes	90.00%	99.56%
<i>Treatment</i>	Provide at least 30% of patients with self care advice.	30.00%	35.70%
<i>Treatment</i>	Convert at least 75% of Category C calls transferred from the SAS to primary care or home care outcomes	75.00%	77.56%
<i>Efficiency</i>	Maintain staff attendance at an average of 94.75% throughout 2015/16	94.75%	94.21%

Environmental and sustainability reporting

In accordance with the Scottish Government's sustainable development strategy, the NHS 24 sustainability and environmental performance in 2015/16 is outlined as follows.

Sustainable Development Action Plan (SDAP)

The SDAP is developed in line with the appropriate guidance and with reference to the NHS 24 approved Environmental Management Policy and Strategy. Working from a baseline established in 2011/12, NHS 24 has so far achieved 16% against a target of a 20% reduction in CO2 emissions by 2016.

Targets for 2015/16

- Energy Consumption - 1% reduction
- Carbon Reduction - 3% reduction

The focus for NHS 24 in 2015/16 was to build upon the progress made in the previous year by continuing to identify opportunities to reduce carbon emissions and energy usage, particularly in Caledonia House and Norseman House.

Progress made in 2015/16

In 2015/16, there was continued progress in improving environmental performance. This has been achieved by the following:

- Projects were completed assisting in the achievement of an annual reduction in CO2 emissions of 51.73 tonnes (2.9%) and energy consumption by 84,863 kWhr (1.4%);
- The full replacement of the boilers in Caledonia House in 2015 achieved significant reductions in energy consumption (26% gas consumption) and associated cost savings;
- Nearly 40% of suppliers on the contract register now operate from a Scottish base;
- Managing properties in accordance with the NHS Scotland environmental management system, Corporate Greencode, to achieve compliance with relevant legislation in relation to the environmental performance of its properties;
- Increased recycling across the main centres leading to a reduction of 12 tonnes in CO2 emissions;
- Continued decrease in car travel mileage leading to a 38% reduction in CO2 emissions since 2013/14.

Approval and signing of the Performance report

The Accounting Officer authorised these financial statements for issue on 21 June 2016.

Signed

Angiolina Foster, Chief Executive

Date

B. THE ACCOUNTABILITY REPORT

1. CORPORATE GOVERNANCE REPORT

a) The Directors' Report

Date of issue

The financial statements were approved by the Board on 21 June 2016.

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 Scott-Moncrieff to undertake the audit of NHS 24. 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.

Following a tendering exercise, PricewaterhouseCoopers were appointed as NHS 24's internal auditor for a further 3 years, from 1 April 2014 to 31 March 2017, as approved by the Board at its meeting on 29 May 2014.

Board membership

Under the terms of the Scottish Health Plan, NHS 24 is a board of governance whose membership will be conditioned by the functions of the Board. Members of NHS Boards are appointed on the basis of their position or the particular expertise which enables them to contribute to the decision-making process at strategic level.

The Board of NHS 24 has a collective responsibility for the performance of NHS 24.

The **Members of the Board** during the year ended 31 March 2016 were as follows:

Chair	Mrs Esther Roberton
Non-Executive Members	Ms Madeline Smith, Vice Chair Dr Juliana Butler (from 1 December 2015) Mrs Susan Dunn Mr John Glennie Mr Martin Hill (to 30 November 2015) Miss Anne Jarvie (to 30 November 2015) Mr Michael McCormick (from 1 December 2015) Mr John Rae Mr Graham Revie, Employee Director Mr Albert Tait

The second term of office for Mr Martin Hill and Miss Anne Jarvie came to an end on 30 November 2015.

Executive Directors appointed by the Minister as Board Members were:

Mr John Turner	Chief Executive (to 31 July 2015)
Mr Ian Crichton	Chief Executive (from 31 August 2015 to 29 February 2016)
Mrs Angiolina Foster	Chief Executive (from 1 March 2016)
Professor George Crooks	Medical Director
Mrs Margo McGurk	Director of Finance & Performance
Mrs Sheena Wright	Director of Nursing & Care

The responsibilities of the Members of the Board in relation to the Accounts are set out in a Statement following this Report.

Board members' and senior managers' interests

The Board maintains a Register of Interests for all board members and senior managers. The Register is held at the NHS 24 Headquarters in Caledonia House, Fifty Pitches Road, Cardonald Park, Glasgow, G51 4EB and is available on the NHS 24 website.

All interests are updated throughout the year.

Details of any interests of board members and senior staff who enter into any contracts or are potential contractors with NHS 24 are disclosed in note 29 as required by IAS 24.

Pension liabilities

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

Remuneration for non-audit work

There was no remuneration for non-audit work carried out by either Scott-Moncrieff or PricewaterhouseCoopers during 2015/16.

Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose 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.

Information on public relations, overseas travel, hospitality and entertainment, external consultancy, payments with a value in excess of £25,000, members or employees who received remuneration in excess of £150,000, sustainable economic growth, and efficiency, effectiveness and economy can be found on the NHS 24 website at: <http://www.nhs24.com/AboutUs/Expenditure>

Personal data related incidents reported to the Information Commissioner

There have been no personal data related incidents in NHS 24 during 2015/16.

Payment Policy

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

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

Prior to this, the Board did endeavour to comply with the principles of The Better Payment Practice Code (<http://www.payontime.co.uk/>) by processing suppliers invoices for payment without unnecessary delay and by settling them in a timely manner.

- In 2015/16, NHS 24's average credit taken was 25 days (2014/15 - 29 days).
- In 2015/16, NHS 24 paid 48.5% of invoices by value (2014/15 – 45.9%) and 43.3% by volume (2014/15 – 34.5%) within 10 days.
- In 2015/16, NHS 24 paid 77.3% of invoices by value (2014/15 – 75%) and 80.5% by volume (2014/15 – 74.5%) within 30 days.

The figures relate only to non-NHS suppliers.

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.

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.

b) Statement of the Chief Executive's Responsibilities as the Accountable Officer

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 NHS 24.

This designation carries with it responsibility for:

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

In preparing the accounts, I am required to comply with the requirements of the Government's Financial Reporting Manual (FReM) 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 Officer's letter to me of 2 March 2016.

c) The Statement of Board Members' responsibilities

Under the National Health Service (Scotland) Act 1978, NHS 24 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 NHS 24 as at 31st March 2016 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 NHS Scotland by Scottish Ministers;
- Make judgements and estimates that are reasonable and prudent;
- State where applicable accounting standards as set out in the Financial Reporting Manual (FRM) have not been followed where the effect of the departure is material; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that NHS 24 will continue to operate.

The NHS 24 Board Members are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of NHS 24 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 NHS 24 and hence taking reasonable steps for the prevention of fraud and other irregularities.

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

d) The Governance Statement

Scope of Responsibility

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

Purpose of Internal Control

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

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

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

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

Governance Framework

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control.

The NHS 24 Corporate Governance Framework defines and documents the roles and responsibilities of the Board through detailed guidance on standing orders, standing financial instructions, scheme of delegation, contract/procurement regulations and a code of conduct. The Corporate Governance Framework is reviewed on an ongoing basis with amendments being considered by the Audit and Risk Committee and approved by the NHS 24 Board.

- During 2015/16, there were a number of changes to the leadership of the organisation. There were 3 Chief Executives in post during the financial year. In addition the Director of Finance acted as Accountable Officer for a short period between Chief Executive appointments.
- In addition to the significant operational issues faced by the organisation, as a result of the Future Programme withdrawal, the leadership changes noted above also required to be successfully managed and embedded within the overall management and governance arrangements. Despite this challenging set of circumstances the organisational delivery was maintained effectively throughout the year.

The Board of NHS 24 is supported in its responsibilities by a number of statutory and standing governance committees. These are:

Statutory Committees

Clinical Governance Committee;
Audit and Risk Committee;
Staff Governance Committee; and
Remuneration Committee.

Standing Committees

Equality, Diversity and Involvement of Patients and the Public Committee (stood down on 26 November 2015); and
Finance and Performance Committee.

The Board approves the terms of reference for all its committees and appoints all Committee members.

The adequacy and effectiveness of the system of internal control is assessed by the standing committees each providing a formal report to the NHS 24 Audit and Risk Committee on their work on an annual basis.

Board Effectiveness

The Board examines its own effectiveness in line with current practice and ensures compliance with current legislation. The Board, through defining the roles and responsibilities of members, sets out clear areas of responsibility and levels of delegated authority.

A workshop for the full NHS 24 Board was held in February 2015, which tested how the Board receives assurance on the adequacy of current risk management arrangements and how this links to the wider governance framework, a further session is planned for 2016.

In November 2015, the Board held a governance development session to consider a number of improvements to its governance framework during which the Board considered the structure and membership of the governance committees, the frequency and the format of the meetings. Feedback from this session has been included in the review of the Corporate Governance Framework which was presented to Audit and Risk Committee in March 2016 and will be further developed and presented to the August 2016 NHS 24 Board meeting for final approval.

The NHS 24 Board considered elements of its effectiveness during a governance development session in November 2015 and it was agreed that Board members would be sent the NHS Board Diagnostic, administered by NSS, in April 2016. This was subsequently completed in May and the results have been received. These will be reviewed at a facilitated Board development session in July 2016.

The NHS 24 Board reviewed the five-year strategy for the organisation in January 2016 and further refined and development that strategy in March 2016. The NHS 24 Board strategy focuses on continuously striving to improve the quality of services whilst recognising the increasing demand and the significant financial challenge facing all public services. The Board has set a vision for 2020/21 to offer a citizen-friendly, "navigation-free" access route into health and social care services. During 2016/17, the NHS 24 Board will further enhance the stakeholder engagement arrangements to allow effective consultation with the public, patients and carers, Health Boards, Integrated Joint Boards, the Independent sector and Scottish Government in the development of this strategy.

The Board, in conjunction with the Scottish Government Health and Social Care Directorates, sets a series of performance targets that enable the Board to report to the public on the quality of services provided and how year on year these are improving.

The Board has a whistleblowing policy, which makes it clear that staff will be supported when they raise genuine areas of concern in respect of patient safety and quality of service. The NHS 24 Board will review the effectiveness of the whistleblowing arrangements and develop improvement plans to further improve them during 2016/17. In October 2015, the Board appointed a Non-Executive Director as whistleblowing champion.

Every year, the Chair undertakes a performance appraisal of each of the Non-Executive Members. Similarly, each of the Executive Directors have key objectives to deliver each year and they are formally appraised by the Chief Executive, and the Chief Executive is appraised by the Chair. From

these appraisals, Personal Development Plans are prepared and acted upon. There is also, through the Board development sessions, opportunity for the Board to develop as a collective.

Various channels of communication exist to engage effectively with all stakeholders. These channels involve dialogue with internal stakeholders, meetings with key external stakeholders including Scottish Government Directorates and social media channels. Internal communication channels are supported by a staff magazine, an intranet system, which includes procedures and policy documentation, and an organisation website which displays Board meeting minutes for the public, staff and other stakeholders.

The Board has endeavoured to ensure compliance with the SPFM and is assured that it complies with all relevant areas of this code that impact on NHS public bodies. In addition, the Board is aware of its responsibilities in respect of the Bribery Act which is included in the NHS 24 Financial Crime Action Plan.

The standing governance committees of the NHS 24 Board ensure compliance with new and existing guidance. The terms of reference of the committees include the requirement to consider documents and papers in relation to laws and regulations, policies and procedures within their remit.

Fraud Prevention

NHS 24 works in partnership with Counter Fraud Services and the Audit and Risk Committee in the proactive management of the risk of fraud. NHS 24 participates in the bi-annual National Fraud Initiative (NFI) data matching exercise to help prevent and detect fraud, overpayments and errors.

Review of Adequacy and Effectiveness

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

- the executive directors and senior managers who are responsible for developing, implementing and maintaining internal controls across their areas which is supported by an annual statement of assurance from a number of executive directors;
- the work of the internal auditors, who submit regular reports to the Audit and Risk Committee which include their independent and objective opinion on the effectiveness of risk management, internal controls and governance processes, together with their recommendations for improvement;
- the work of the external auditors through their annual report;
- the review of performance against key performance and risk indicators, including the requirement for all projects to be managed in line with accredited project management methodology;
- the maintenance of an organisation-wide risk register formally reviewed by the Executive Management Team, the Audit and Risk Committee and the full Board; and
- the performance appraisal system for all staff with personal objectives and development plans designed to support the Board in the attainment of the corporate objectives set out in the Health Plan and Delivery Plan. In addition, Personal Development Plans for all staff are being developed in line with the NHS Agenda for Change Knowledge and Skills Framework.

Given my limited period of office during 2015/16, I have taken assurance from the annual statements provided to me by my executive directors and the additional sources noted above. I conclude that appropriate action is in place to address weaknesses identified and to ensure the continuous improvement of the system.

Best Value

In accordance with the principles of Best Value, the Board aims to foster a culture of continuous improvement. As part of this, executive directors and senior managers are encouraged to review, identify and improve the efficiency and effectiveness of resource allocation. Additionally the Finance and Performance Committee provides assurance to the Board that best value is achieved from resource allocation. NHS 24 is investing time and working with stakeholders to progress delivery of

a range of "Once for Scotland" services including the Cancer Treatment Helpline, the Musculoskeletal Service, the Scottish National Blood Transfusion service, the Fit for Work service and the Death Certification Service.

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

Risk Management

All NHS Scotland bodies are subject to the requirements of the SPFM and must operate a risk management strategy in accordance with relevant guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM. NHS 24 aims to manage risk to an acceptable level, defined by the organisations risk appetite.

The NHS 24 Operational Risk Management Group (ORMG) seeks to provide assurance to the Executive Management Team that the organisation's policies, procedures, processes and related systems are in place and operational for the appropriate management of risks facing the organisation. Risk management is closely linked with the corporate performance of the organisation. Through the Resource Allocation Management (RAM) process, risks are identified that will impact on NHS 24 meeting their strategic objectives.

NHS 24 recognises the need to continuously improve the effectiveness of risk management and during 2015/16 commenced a review of arrangements. This review will continue into 2016/17.

Management of Significant Adverse Events and Continuous Quality

NHS 24 is committed to continuous development and is working to achieve this in several ways including:

- A Management of Adverse Events Programme was conducted during 2015/16 and a number of improvements were implemented. Engagement continues with the national steering group to ensure best practice, learning, and continuous improvement in this area.
- Implementing the Scottish Patient Safety Programme (SPSP) through monthly patient safety leadership walk-rounds. These are lead by the Director of Nursing and Care and include non-executive directors, executive directors, frontline staff and service managers. In addition, NHS 24 is at the initial stages of linking with the SPSP arrangements in Primary Care to explore opportunities, which may lead to the development and measurement of other patient safety measures.
- A review of the management of complaints and patient feedback function was completed and improvements made. There is ongoing activity to integrate patient groups and the Equality and Diversity Function into this area of work.

Disclosures

Future Programme Technology Implementation

The NHS 24 Board approved the launch of the Future Programme system into live service in October 2015. The decision to launch was supported by formal assurances from technical, clinical, workforce, staff side and operational readiness perspectives.

Following the launch on 28 October 2015 a major technical issue arose and the decision was taken to withdraw the system from service. After a re-planning exercise and confirmation of the root cause and rectification of the technical issue, the Future Programme was relaunched on 3 November 2015. On 9 November 2015, the Executive Management Team discussed the performance of the unscheduled care service operating with the new system. Service access levels had fallen, staff had struggled to use the system effectively and partner boards had expressed concerns. The Executive Management Team closely monitored the situation and took the decision, on the grounds of patient safety, to withdraw the Future Programme from service on 13 November 2015.

The Executive Management Team conducted a full lessons learned exercise to determine why the launch had failed. That review was reported to the NHS 24 Governance Committees, the Board and the First Minister in December 2015. The review concluded that although the technology appeared to be stable, it was clear that the system, as configured, was not fully ready for use and that the NHS 24 operational teams were not fully ready to use the system as configured. Underlying root causes were a failure to comprehensively identify risks around launch, a weak shared understanding at executive level regarding the detailed plan and a lack of independent advice and expertise in call centre IT system replacement and implementation.

A Section 22 Report on the Future Programme implementation and management was prepared by the Auditor General in October 2015 and presented by the Auditor General to the Scottish Parliament Public Audit Committee (PAC) on 2 December 2015. The report included reference to the significant financial and contractual issues associated with the programme. The Chief Executive and the Director of Finance and Performance gave evidence to PAC at a meeting on 20 January 2016.

The Executive Management Team reviewed the lessons learned report and developed a plan to relaunch the programme in summer 2016. This plan addressed the key recommendations from the lessons learned report and specifically focussed on improving the governance arrangements supporting the programme and ensuring technical, workforce and operational readiness. In February 2016, the NHS 24 Board supported the summer 2016 implementation plan subject to the following:

- the Board being provided with additional information in relation to whether implementation should be a single event model;
- all required changes to the governance structure being in place;
- advice being sought from an independent call centre implementation adviser to the Board to provide them with assurance; and
- approval of the Financial Plan.

In April 2016, the Executive Management Team and the NHS 24 Board were advised of a significant further technical issue and of concerns in relation to both organisational/staff readiness and partner readiness. As a result, the programme is currently under review. A revised implementation and associated financial plan are being developed and will be presented to the Executive Management Team and the NHS 24 Board for review in June 2016. I will update the Scottish Government on the outcome of these discussions.

2. REMUNERATION REPORT AND STAFF REPORT

REMUNERATION REPORT

The terms of reference of the Remuneration Committee state its purpose is to provide assurance to the Board that appropriate arrangements are in place to ensure that NHS 24 meets the statutory requirements laid out in the Staff Governance Standard in respect of the remuneration of the Executive Directors (and any other staff employed under Executive or Senior Manager pay arrangements).

The Remuneration Committee membership comprises a Non-Executive Director Chair and five Non-Executive Director members (including the Board Chair).

The Committee meets as required, with at least two meetings per year.

Remuneration

Remuneration of board members and senior employees is determined in line with directions issued by the Scottish Government. All posts at this level are subject to rigorous job evaluation arrangements and the pay scales applied reflect the outcomes of these processes. All extant policy guidance issued by the SGH&SCD has been appropriately applied and agreed by the Remuneration Committee.

Performance Appraisal

Performance appraisals for executive members are carried out in line with the guidance from the Scottish Government and overseen by the Remuneration Committee. Annual pay rises for executive directors are dependent on achieving specified levels of performance.

NHS 24

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION – REMUNERATION TABLE FOR THE YEAR ENDED 31ST MARCH 2016

Name	Directors gross salary (Bands of £5,000) £'000	Bonus payments (Bands of £5,000) £'000	Benefits in kind £'000	Total earnings in year (Bands of £5,000) £'000	Pension benefits £'000	Total Remuneration (Bands of £5,000) £'000
EXECUTIVE DIRECTORS						
Mr John Turner, Chief Executive (to 31 July 2015) (Note 1) <i>Full year equivalent</i>	115 – 120 <i>115 - 120</i>	-	1.3	115 - 120	-	115 - 120
Mr Ian Crichton, Chief Executive (from 31 August 2015 to 29 February 2016) (Note 2)	35 - 40	-	-	35 - 40	0.4	35 - 40
Mrs Angiolina Foster, Chief Executive (from 1 March 2016) (Note 3)	10 - 15	-	-	10 - 15	1.7	10 - 15
Professor George Crooks O.B.E., Medical Director	170 - 175	-	4.3	175 – 180	5.4	180 – 185
Mrs Margo McGurk, Director of Finance and Performance	80 - 85	-	5.7	85 – 90	34.6	120 – 125
Mrs Sheena Wright, Director of Nursing & Care	85 – 90	-	4.4	90 – 95	43.1	130 – 135
DIRECTORS						
Mrs Jane McCartney, Director of Human Resources	80 – 85	-	2.7	80 – 85	3.9	85 – 90
Mrs Gillian Stillie, Chief Operating Officer (to 28 February 2016) (Note 1) <i>Full year equivalent</i>	290 – 295 <i>90 - 95</i>	-	3.4	295 – 300	-	295 – 300
NON EXECUTIVE DIRECTORS						
Mrs Esther Roberton, Chair	25 - 30	-	-	25 – 30	-	25 – 30
Ms Madeline Smith, Vice Chair	5 – 10	-	-	5 – 10	-	5 – 10
Dr Juliana Butler (from 1 December 2015) <i>Full year equivalent</i>	0 – 5 <i>5 - 10</i>	-	-	0 – 5	-	0 – 5
Mrs Susan Dunn	5 – 10	-	-	5 – 10	-	5 – 10
Mr John Glennie	5 – 10	-	-	5 – 10	-	5 – 10
Mr Martin Hill (to 30 November 2015) <i>Full year equivalent</i>	5 – 10 <i>5 - 10</i>	-	-	5 – 10	-	5 – 10
Miss Anne Jarvie (to 30 November 2015) <i>Full year equivalent</i>	5 – 10 <i>5 - 10</i>	-	-	5 – 10	-	5 – 10
Mr Michael McCormick (from 1 December 2015) <i>Full year equivalent</i>	0 – 5 <i>5 - 10</i>	-	-	0 – 5	-	0 – 5
Mr John Rae	5 – 10	-	-	5 – 10	-	5 – 10
Mr Graham Revie, Employee Director (Note 4)	60 - 65	-	-	60 - 65	9.8	70 – 75
Mr Albert Tait O.B.E.	5 - 10	-	-	5 – 10	-	5 – 10
Total			21.8		98.5	

- Note 1** The gross salary figures for the Chief Executive and the Chief Operating Officer both contain termination payments at the time of their departure.
- Note 2** This represents 50% of the cost of Ian Crichton for his secondment from NHS National Services Scotland to NHS 24.
- Note 3** This represents 80% of the cost of Angiolina Foster for her secondment from Healthcare Improvement Scotland to NHS 24.
- Note 4** The disclosure for Graham Revie includes his role as Employee Director and his substantive post as a Team Leader. His remuneration as Employee Director only was in the band £5k - £10k.

NHS 24

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION – PENSION VALUES FOR THE YEAR ENDED 31ST MARCH 2016

Name	Accrued pension at age 60 as at 31 March 2016 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2015	Cash Equivalent Transfer Value (CETV) at 31 March 2016	Real increase in CETV in year (Note 4)
	£'000	£'000	£'000	£'000	£'000
EXECUTIVE DIRECTORS					
Mr John Turner, Chief Executive (to 31 July 2015) (Note 1)	-	-	697	748	29
Mr Ian Crichton, Chief Executive (from 31 August 2015 to 29 February 2016) (Note 2)	10 – 15 Plus 30 – 35 lump sum	0 – 2.5 Plus 0 – 2.5 lump sum	181	194	13
Mrs Angiolina Foster, Chief Executive (from 1 March 2016) (Note 3)	0 – 5	0 – 2.5	28	35	7
Professor George Crooks O.B.E., Medical Director	80 – 85 Plus 245 – 250 lump sum	0 – 2.5 Plus 2.5 – 5 lump sum	1,852	1,850	(28)
Mrs Margo McGurk, Director of Finance and Performance	15 – 20 Plus 55 – 60 lump sum	0 – 2.5 Plus 5 – 7.5 lump sum	307	355	35
Mrs Sheena Wright, Director of Nursing & Care	30 – 35 Plus 100 – 105 lump sum	0 – 2.5 Plus 5 – 7.5 lump sum	636	703	54
DIRECTORS					
Mrs Jane McCartney, Director of Human Resources	30 – 35 Plus 95 – 100 lump sum	0 – 2.5 Plus 0 – 2.5 lump sum	735	773	26
Mrs Gillian Stillie, Chief Operating Officer (to 28 February 2016) (Note 1)	-	-	337	369	21
NON EXECUTIVE DIRECTORS					
Mrs Esther Roberton, Chair	-	-	-	-	-
Ms Madeline Smith, Vice Chair	-	-	-	-	-
Dr Juliana Butler (from 1 December 2015)	-	-	-	-	-
Mrs Susan Dunn	-	-	-	-	-
Mr John Glennie	-	-	-	-	-
Mr Martin Hill (to 30 November 2015)	-	-	-	-	-
Miss Anne Jarvie (to 30 November 2015)	-	-	-	-	-
Mr Michael McCormick (from 1 December 2015)	-	-	-	-	-
Mr John Rae	-	-	-	-	-
Mr Graham Revie, Employee Director	15 – 20 Plus 45 – 50 lump sum	0 – 2.5 Plus 0 – 2.5 lump sum	276	297	14
Mr Albert Tait O.B.E.	-	-	-	-	-
Total					171

- Note 1** The CETV figures at 31 March 2016 for the Chief Executive and the Chief Operating Officer equate to the pension values at the time of their departure.
- Note 2** This represents the full pension value associated with Ian Crichton's employment at NHS National Services Scotland (NSS). NSS are responsible for the pension liabilities.
- Note 3** This represents the full pension value associated with Angiolina Foster's employment at Healthcare Improvement Scotland (HIS). HIS are responsible for the pension liabilities, NHS 24 paid a share of the pension contributions for the period from 1 March 2016.
- Note 4** There may be some differences between the closing prior year CETV figure and the opening current year CETV figure. The figures used were those advised by the SPPA.

NHS 24

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION – REMUNERATION TABLE FOR THE YEAR ENDED 31ST MARCH 2015

Name	Directors gross salary (Bands of £5,000)	Bonus payments (Bands of £5,000)	Benefits in kind	Total earnings in year (Bands of £5,000)	Pension benefits	Total Remuneration (Bands of £5,000)
	£'000	£'000	£'000	£'000	£'000	£'000
EXECUTIVE DIRECTORS						
Mr John Turner, Chief Executive	110 - 115	-	4.3	115 – 120	-	115 – 120
Professor George Crooks O.B.E., Medical Director	170 - 175	-	4.9	175 – 180	1.4	175 – 180
Mrs Margo McGurk, Director of Finance (from 1 Sept 2014)	75 - 80	-	4.2	80 – 85	13.2	95 – 100
Mrs Sheena Wright, Director of Nursing & Care	80 – 85	-	3.2	80 – 85	2.7	85 – 90
DIRECTORS						
Mrs Jane McCartney, Director of Human Resources	80 – 85	-	2.6	80 – 85	-	80 – 85
Mrs Gillian Stillie, Chief Operating Officer	85 - 90	-	5.9	90 – 95	15.3	110 – 115
NON EXECUTIVE DIRECTORS						
Mr Allan Watson, Chairman (to 31 March 2015)	25 - 30	-	-	25 – 30	-	25 – 30
Mr Alexander Smith, Vice Chair (to 31 October 2014)	0 - 5	-	-	0 - 5	-	0 - 5
Ms Madeline Smith, Vice Chair (from 1 November 2014)	5 – 10	-	-	5 – 10	-	5 – 10
Mrs Kay Blair (to 31 March 2015)	5 – 10	-	-	5 – 10	-	5 – 10
Mrs Susan Dunn	5 – 10	-	-	5 – 10	-	5 – 10
Mr John Glennie	5 – 10	-	-	5 – 10	-	5 – 10
Mr Martin Hill	5 – 10	-	-	5 – 10	-	5 – 10
Miss Anne Jarvie	5 – 10	-	-	5 – 10	-	5 – 10
Mr John Rae	5 – 10	-	-	5 – 10	-	5 – 10
Mr Graham Revie, Employee Director (Note 1)	60 - 65	-	-	60 - 65	10.4	70 – 75
Mr Albert Tait O.B.E.	5 - 10	-	-	5 – 10	-	5 – 10
Total			25.1		43.0	

NHS 24

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION – PENSION VALUES FOR THE YEAR ENDED 31ST MARCH 2015

Name	Accrued pension at age 60 as at 31 March 2015 (bands of £5,000)	Real increase in pension at pensionable age (bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2014 (Note 2) £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2015 £'000	Real increase in CETV in year £'000
EXECUTIVE DIRECTORS					
Mr John Turner, Chief Executive	35 – 40 Plus 115 – 120 lump sum	0 – 2.5 Plus 0 – 2.5 lump sum	665	690	9
Professor George Crooks O.B.E., Medical Director	75 – 80 Plus 235 – 240 lump sum	0 – 2.5 Plus 2.5 – 5 lump sum	1,839	1,834	(30)
Mrs Margo McGurk, Director of Finance (from 1 Sept 2014)	15 – 20 Plus 45 – 50 lump sum	0 – 2.5 Plus 2.5 – 5 lump sum	278	304	16
Mrs Sheena Wright, Director of Nursing & Care	30 – 35 Plus 95 – 100 lump sum	0 – 2.5 Plus 0 – 2.5 lump sum	601	630	19
DIRECTORS					
Mrs Jane McCartney, Director of Human Resources	30 – 35 Plus 95 – 100 lump sum	0 – 2.5 Plus 0 – 2.5 lump sum	702	728	16
Mrs Gillian Stillie, Chief Operating Officer	20 – 25 Plus 60 – 65 lump sum	0 – 2.5 Plus 2.5 – 5 lump sum	307	334	15
NON EXECUTIVE DIRECTORS					
Mr Allan Watson, Chairman (to 31 March 2015)	-	-	-	-	-
Mr Alexander Smith, Vice Chair (to 31 October 2014)	-	-	-	-	-
Ms Madeline Smith, Vice Chair (from 1 November 2014)	-	-	-	-	-
Mrs Kay Blair	-	-	-	-	-
Mrs Susan Dunn	-	-	-	-	-
Mr John Glennie	-	-	-	-	-
Mr Martin Hill	-	-	-	-	-
Miss Anne Jarvie	-	-	-	-	-
Mr John Rae	-	-	-	-	-
Mr Graham Revie, Employee Director (Note 1)	15 – 20 Plus 45 – 50 lump sum	0 – 2.5 Plus 0 – 2.5 lump sum	253	273	14
Mr Albert Tait O.B.E.	-	-	-	-	-
Total					59

Note 1 The disclosure for Graham Revie includes his role as Employee Director and his substantive post as a Team Leader. His remuneration as Employee Director only was in the band £5k - £10k.

Note 2 There may be some differences between the closing prior year CETV figure and the opening current year CETV figure. The figures used were those advised by the SPPA.

2015-16		2014-15	
Highest Earning Director's Total Remuneration (£000s)	175 – 180	Highest Earning Director's Total Remuneration (£000s)	175 – 180
Median Total Remuneration	25,085	Median Total Remuneration	25,243
Ratio	7.02	Ratio	7.00

Commentary

The highest earning director's pay is calculated in a different manner for the purposes of this ratio than is included in the remuneration report. This is due to the exclusion of pension costs.

Taking this into account, it should be noted that the highest earning director's pay has remained broadly similar from 2014/15 to 2015/16 with the ratio for the organisation also remaining comparable to the prior year.

STAFF REPORT

a) Number of senior staff by band

	2016	2015
Band (bands of £5,000)	Number of Staff	Number of Staff
£0 - £5,000	2	1
£5,000 - £10,000	7	8
£25,000 - £30,000	1	1
£50,000 - £55,000	1	0
£60,000 - £65,000	1	1
£75,000 - £80,000	0	1
£80,000 - £85,000	2	2
£85,000 - £90,000	1	1
£100,000 - £105,000	1	0
£110,000 - £115,000	0	1
£170,000 - £175,000	1	1

b) Staff Numbers

STAFF NUMBERS	Whole Time Equivalent (Wte)	Whole Time Equivalent (Wte)	Headcount	Headcount
	2016	2015	2016	2015
	Annual Mean	Annual Mean	Annual Mean	Annual Mean
Administration Costs	228.28	237.46	246	256
Hospital & Community Services	313.98	319.98	513	520
Non Clinical Services	536.68	458.80	905	791
Board Total Average Staff	1,078.94	1,016.25	1,664	1,567
Permanent Staff	1,028.17	959.23	1509	1397
Staff with Short Term Contract	38.47	40.25	140	150
Inward Secondees	3.75	2.80	5	5
Agency Staff	2.00	7.05	2	7
Outward Secondees	6.55	6.92	8	8
Board Total Average Staff	1,078.94	1,016.25	1,664	1,567
Disabled Staff	61.23	73.34	94	111
Special Advisers	0	0	0	0
The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure was:	0	0	0	0

c) Staff Composition

	2016				2015			
	Male	Female	Prefer not to say	Total	Male	Female	Prefer not to say	Total
Executive Directors	1	4	0	5	2	4	0	6
Non-Executive Directors and Employee Director	5	4	0	9	6	3	0	9
Senior Employees	33	62	0	95	29	62	0	91
Other	282	1,251	0	1,533	271	1,234	0	1,505
Total Headcount	321	1,321	0	1,642	308	1,303	0	1,611

d) Sickness absence data

	2016	2015
Sickness Absence Rate	5.79%	5.23%

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

As an equal opportunities employer, NHS 24 welcomes applications for employment from people with the protected characteristics of age, disability, gender, gender reassignment, race, religion or belief, sexual orientation, marriage and civil partnership and pregnancy and maternity. NHS 24 actively seeks to provide an environment where people with these protected characteristics can continue to contribute to the work of the organisation.

NHS 24 provides employees with information on matters of concern to them as employees through the in-house magazine, Insight, regular bulletins by email, articles on the NHS 24 intranet and the cascading of information by line managers.

NHS 24 consults employees or their representatives, so their views are taken into account in decisions affecting their interests, primarily through staff meetings and more formal discussions in groups such as the Area Partnership Forum, Regional Partnership Fora, the Employee relations group and a range of focus groups on specific topics.

f) Expenditure on consultancy

	2016	2015
	£	£
External Consultancy	278,193	79,070

In addition to projects that required the support of external consultants, expertise was recruited specifically to support aspects of the Future Programme.

g) Off payroll engagements as defined in Public Expenditure System (PES) guidance

NHS 24 does not have any off payroll engagements.

h) Exit Packages

2016			
Exit Package cost band	Number of Compulsory	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	0	0	0
£10,000 - £25,000	0	3	3
£25,000 - £50,000	0	0	0
£50,000 - £100,000	0	1	1
£150,000 - £200,000	0	1	1
>£200,000	0	0	0
Total number of exit Packages by type	0	5	5
Total Resource Cost (£'000)	0	318	318

NHS 24 did not have any exit packages during 2014/15.

Approval and signing of the Accountability report

The Accounting Officer authorised these financial statements for issue on 21 June 2016.

Signed

Angiolina Foster, Chief Executive

Date

3. AUDIT REPORT

Independent Auditor's Report

Independent auditor's report to the members of NHS24, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of NHS24 for the year ended 31 March 2016 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Balance Sheet, the Cashflow Statement, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual (the 2015/16 FReM).

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

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2016 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 FReM; and

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

Opinion on regularity

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

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Nick Bennett, (for and on behalf of Scott-Moncrieff)
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date:

NHS 24

STATEMENT OF COMPREHENSIVE NET EXPENDITURE AND SUMMARY OF RESOURCE OUTTURN

FOR THE YEAR ENDED 31st MARCH 2016

2015 £'000		Note	£'000	£'000
	Clinical Services Costs			
40,468	Hospital and Community	4	40,498	
3,335	Less: Hospital and Community Income	8	1,879	
<u>37,133</u>				<u>38,619</u>
37,133	Total Clinical Services Costs			38,619
30,844	Administration Costs	6	36,336	
167	Less: Administration Income	8	45	
<u>30,677</u>				<u>36,291</u>
85	Other Non Clinical Services	7	209	
(48)	Less: Other Operating Income	8	937	
<u>133</u>				<u>(728)</u>
<u>67,943</u>	Net Operating Costs			<u>74,182</u>
<u>67,943</u>	Total Comprehensive Expenditure			<u>74,182</u>

The Notes to the Accounts, numbered 1 to 31, form an integral part of these Accounts.

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

FOR THE YEAR ENDED 31st MARCH 2016

SUMMARY OF CORE REVENUE RESOURCE OUTTURN	£'000
Net Operating Costs	74,182
Total Non Core Expenditure (see below)	(859)
Total Core Expenditure	73,323
Core Revenue Resource Limit	73,378
Saving/(excess) against Core Revenue Resource Limit	55

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Depreciation/Amortisation	780	
Annually Managed Expenditure - Impairments	45	
Annually Managed Expenditure – Creation of Provisions	34	
Total Non Core Expenditure		859
Non Core Revenue Resource Limit		859
Saving/(excess) against Non Core Revenue Resource Limit		0

SUMMARY RESOURCE OUTTURN

	Resource	Expenditure	Saving/ (Excess)
	£'000	£'000	£'000
Core	73,378	73,323	55
Non Core	859	859	0
Total	74,237	74,182	55

NHS 24

BALANCE SHEET

AS AT 31ST MARCH 2016

2015 £'000		Note	£'000
	Non-current assets:		
2,307	Property, plant & equipment	11	1,701
304	Intangible assets	10	172
2,611	Total non-current assets		1,873
	Current Assets:		
2,648	Trade and other receivables	13	3,137
656	Cash and cash equivalents	15	1,342
3,304	Total current assets		4,479
5,915	Total assets		6,352
	Current liabilities:		
(1,077)	Provisions	17	(1,805)
	Financial Liabilities:		
(11,877)	Trade and other payables	16	(7,401)
(12,954)	Total current liabilities		(9,206)
(7,039)	Non-current assets less net current liabilities		(2,854)
	Non-current liabilities:		
(522)	Provisions	17	(712)
(522)	Total non-current liabilities		(712)
(7,561)	Assets less liabilities		(3,566)
	Taxpayers' Equity		
(7,562)	General Fund	SOCTE	(3,567)
1	Revaluation reserve	SOCTE	1
(7,561)	Total taxpayers' equity		(3,566)

Adopted by the Board on 21st June 2016

..... Director of Finance

..... Chief Executive

The Notes to the Accounts, numbered 1 to 31, form an integral part of these Accounts.

NHS 24

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31st MARCH 2016

2015 £'000		Note	£'000	£'000
	Cash flows from operating activities			
(67,943)	Net operating cost	SOCNE		(74,182)
1,054	Adjustments for non-cash transactions	3		825
3	Add back: interest payable recognised in net operating cost	3		2
66	(Increase) / decrease in trade and other receivables	18		(489)
2,766	Increase / (decrease) in trade and other payables	18		(4,997)
(901)	Increase / (decrease) in provisions	18		918
(64,955)	Net cash outflow from operating activities			(77,923)
	Cash flows from investing activities			
(187)	Purchase of property, plant and equipment			(252)
(187)	Net cash outflow from investing activities			(252)
	Cash flows from financing activities			
65,338	Funding		78,177	
(808)	Movement in general fund working capital	SOCTE	686	
64,530	Cash drawn down	SOCTE	78,863	
(3)	Interest paid	3	(2)	
64,527	Net Financing			78,861
(615)	Net Increase / (decrease) in cash and cash equivalents in the period	15		686
1,271	Cash and cash equivalents at the beginning of the period	15		656
656	Cash & cash equivalents at end of the period			1,342
	Reconciliation of net cash flow to movement in net debt/cash			
(615)	Increase / (decrease) in cash in year	15		686
1,271	Net debt/cash at 1 April	15		656
656	Net (debt)/cash at 31 March	15		1,342

The Notes to the Accounts, numbered 1 to 31, form an integral part of these Accounts.

NHS 24

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31st MARCH 2016

	Note	General Fund £'000	Revaltn Reserve £'000	Total Reserves £'000
Balance as at 1 April 2015		(7,562)	1	(7,561)
Changes in taxpayers' equity for 2015/16				
Impairment of property, plant and equipment	11	0	(45)	(45)
Revaluation and impairments taken to operating costs	3	0	45	45
Net operating cost for the year	SOCNE	(74,182)	0	(74,182)
Total recognised income and expense for 2015/16		(74,182)	0	(74,182)
Funding:				
Drawn down		78,863	0	78,863
Movement in General Fund working capital		(686)	0	(686)
Balance at 31 March 2016		(3,567)	1	(3,566)

The Notes to the Accounts, numbered 1 to 31, form an integral part of these Accounts.

NHS 24

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31st MARCH 2015

	Note	General Fund £'000	Revaltn Reserve £'000	Total Reserves £'000
Balance as at 1 April 2014		(4,675)	1	(4,674)
Prior Year Adjustment for change in accounting policy or material errors		(282)	0	(282)
Restated Balance as at 1 April 2015		(4,957)	1	(4,956)
Changes in taxpayers' equity for 2014/15				
Impairment of property, plant and equipment	11	0	(6)	(6)
Revaluation and impairments taken to operating costs	3	0	6	6
Net operating cost for the year		(67,943)	0	(67,943)
Total recognised income and expense for 2014/15		(67,943)	0	(67,943)
Funding:				
Drawn down		64,530	0	64,530
Movement in General Fund (Creditor) / Debtor		808	0	808
Balance at 31 March 2015		(7,562)	1	(7,561)

The Notes to the Accounts, numbered 1 to 31, form an integral part of these Accounts.

NHS 24

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2016

ACCOUNTING POLICIES

Note 1

1. Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), International Financial Reporting Interpretations Committee (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 24 below.

Where a new international accounting standard/amendment/interpretation has been issued but not yet implemented, Boards are required to disclose 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 current year

There is one new standard effective for the first time this year.

IFRS 13 Fair Value Measurement

Management do not expect that the adoption of the standard listed above will have a material impact on the financial statements of the Board.

(b) Standards, amendments and interpretation early adopted this year

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

(c) Standards, amendments and interpretations in issue but not yet effective

At the date of authorisation of these financial statements, there were no standards in issue but not yet effective.

2. Basis of Consolidation

NHS 24 does not hold any endowment funds and therefore does not have to consolidate its financial statements in accordance with International Accounting Standard (IAS) 27.

3. 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.

4. 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.

5. 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.

Funding for the acquisition of fixed 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.

6. Property, plant and equipment

The treatment of non-current assets in the accounts (capitalisation, valuation, depreciation, particulars concerning donated assets) is in accordance with NHS Capital Accounting Manual. Title to properties included in the accounts is held by Scottish Ministers.

6.1 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.

Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

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

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, is used 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.

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

6.3 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) 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.
- 2) 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.
- 3) Equipment is depreciated over the estimated life of the asset.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Computer Equipment	5 years
Telecommunications Equipment	10 years
Fit out costs	10 years

7. Intangible Assets

7.1 Recognition

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

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

The main classes of intangible assets recognised are:

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 fixed 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, a government grant 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 government grant reserve. The government grant reserve 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.

7.2 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.

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'.

7.3 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.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Software	5 years
Software Licences	5 years

8. Leasing

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.

9. 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.

10. 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 SGH&SCD. 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 SGH&SCD.

11. 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.

12. 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 four 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 2012, 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.

13. 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 24 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.

14. 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.

15. Value Added Tax (VAT)

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.

16. 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.

NHS 24 also provides for its liability from participating in the scheme. The Participation in CNORIS provision recognises the Board's respective share of the total liability of NHS Scotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in AME provision and is classified as non-core expenditure.

17. 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.

18. 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.

19. 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 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.

20. 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. Within NHS 24 it has been determined that the internal reporting mechanisms provided to the chief operating decision makers are clinical/frontline and corporate/non frontline.

21. 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.

22. 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.

23. Third party assets

Assets belonging to third parties are not recognised in the accounts since the Board has no beneficial interest in them.

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

24. 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.

The Board includes a provision in its annual accounts for the year ended 31st March 2016 for Clinical and Medical negligence costs and dilapidations.

Non-current assets

The method for calculating the value of non-current assets is outlined in accounting policy numbers 6 and 7. NHS 24 will monitor its asset base in relation to the fair value of property, plant and equipment and intangible assets and the potential for impairment of property, plant and equipment and intangible assets. The depreciation policy in NHS 24 will also continue to be considered for appropriateness on an ongoing basis.

Clinical and Medical Negligence Claims

The method for calculating the Clinical and Medical negligence costs provision is outlined in accounting policy number 13.

Dilapidations

The dilapidations provision is calculated on the basis that NHS 24 will have to return buildings that it leases from third parties to their original condition at the end of the lease period. NHS 24 has used the services of a valuer to calculate the cost of carrying out this work, and will create a provision for this value on a straight line basis for each year of the lease. NHS 24 will continue to monitor this area to ensure that the value, and in turn the amount provided to date, remain reasonable based on the latest valuation advice received.

NHS 24

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st MARCH 2016

STAFF NUMBERS AND COSTS

Note 2a

STAFF COSTS

2015 £'000		Exec Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other £'000	Outward Secondees £'000	Total £'000
35,020	Salaries and Wages	451	92	36,335	0	51	(258)	36,671
2,558	Social Security Costs	53	2	2,840	0	0	(24)	2,871
4,080	NHS scheme employers' costs	60	0	4,802	0	0	(40)	4,822
246	Inward secondees	0	0	0	376	0	0	376
584	Agency Staff	0	0	0	1,120	0	0	1,120
<u>42,488</u>		<u>564</u>	<u>94</u>	<u>43,977</u>	<u>1,496</u>	<u>51</u>	<u>(322)</u>	<u>45,860</u>
0	Compensation for the loss of office	67	0	251	0	0	0	318
<u>42,488</u>	Total	<u>631</u>	<u>94</u>	<u>44,228</u>	<u>1,496</u>	<u>51</u>	<u>(322)</u>	<u>46,178</u>

Included in the total staff costs above were costs of staff directly engaged on capital projects, charged to capital expenditure of: £NIL.

NHS Scheme employers' costs include £NIL provision in respect of early retirement (2014/15 £NIL). Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the Scheme are shown in Note 24.

NHS 24

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2016

HIGHER PAID EMPLOYEES' REMUNERATION

Note 2b

2015 Number	Other employees whose remuneration fell within the following ranges	2016 Number
	Clinicians	
56	£ 50,000 to £ 60,000	54
5	£ 60,001 to £ 70,000	11
2	£ 70,001 to £ 80,000	3
1	£ 80,001 to £ 90,000	1
2	£ 90,001 to £100,000	3
1	£110,001 to £120,000	-
1	£170,001 to £180,000	1

2015 Number	Others	2016 Number
13	£ 50,000 to £ 60,000	24
9	£ 60,001 to £ 70,000	7
4	£ 70,001 to £ 80,000	5
4	£ 80,001 to £ 90,000	3
1	£ 90,001 to £100,000	1
-	£100,001 to £110,000	1
1	£110,001 to £120,000	-

NHS 24

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2016

OTHER OPERATING COSTS

Note 3

2015 £'000		Note	£'000	£'000
	Expenditure not paid in cash			
847	Depreciation	11	648	
201	Amortisation	10	132	
6	Impairments on property, plant & equipment charged to SOCNE	11	45	
1,054	Total Expenditure not paid in cash	CFS		825
	Interest Payable			
3	Bank and other interest payable		2	
3	Total			2
	Statutory Audit			
38	External Auditor's remuneration and expenses			99

The 2015/16 External Auditor's remuneration and expenses includes the additional work on the Future Programme relating to the 2015/16 financial year.

HOSPITAL AND COMMUNITY HEALTH SERVICES

Note 4

2015 £'000	BY PROVIDER		£'000
33,990	Treatment in Board area of NHSScotland Patients		35,182
6,478	Other NHS Scotland Bodies		5,316
40,468	Total of NHSScotland Patients		40,498
40,468	Total Hospital and Community Health Services	SOCNE	40,498

FAMILY HEALTH SERVICE EXPENDITURE

Note 5

NHS 24 has no Family Health Service Expenditure.

NHS 24

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2016

ADMINISTRATION COSTS

Note 6

2015 £'000		£'000
656	Board Members' Remuneration*	Note 2a 725
162	Administration of Board Meetings and Committees	181
114	Corporate Governance and Statutory Reporting	201
881	Public Relations**	642
29,031	Other***	<u>34,587</u>
30,844	Total administration costs	SOCNE <u>36,336</u>

*Board Members' Remuneration includes salaries and other remuneration for all Executive and Non-Executive Directors as noted in the Remuneration Report in the Directors' Report, along with the employer's pension and NI contributions as appropriate.

**The majority of the spend categorised as Public Relations relates to national advertising campaigns managed by NHS 24 covering the Winter and Easter periods.

*** Others comprise the following:-

£'000		£'000
1,668	Earmarked SGH&SCD-funded projects	1,112
4,875	Software Developments, Licences and Maintenance	6,929
6,479	Directorate Staff costs	6,699
2,278	Telecommunications	1,942
243	Training and Recruitment	187
1,054	Depreciation and Impairment charges	825
3,118	Property Running Costs	2,626
8,233	Future Programme	12,038
292	External Administration Services	271
791	Miscellaneous	<u>1,958</u>
29,031	Total Other	<u>34,587</u>

NHS 24 has a unique position in NHS Board terms, in that it is a highly technological organisation. The classification of technology costs as an administration expense makes the organisation appear to be largely administrative in nature, however it should be noted that the vast majority of the technology costs are incurred supporting front line patient care.

During the 2015/16 financial year there was also significant expenditure incurred on the Future Programme. This expenditure includes the direct costs of the Future Programme plus the costs of the new BT and Capgemini contracts.

NHS 24

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2016

OTHER NON-CLINICAL SERVICES

Note 7

2015 £'000		£'000
89	Compensation payments – Clinical	(27)
(4)	Compensation payments – Other	(14)
0	Pension enhancement and redundancy	250
<u>85</u>	Total Other Non Clinical Services	SOCNE <u>209</u>

OPERATING INCOME

Note 8

2015 £'000		£'000
	HCH Income	
14	SGH&SCD	104
2,137	NHS Scotland Bodies	1,678
	Non-NHS	
1,184	Other HCH Income	97
<u>3,335</u>	Total HCH Income	SOCNE <u>1,879</u>
<u>167</u>	Administration Income	SOCNE <u>45</u>
	Other Operating Income	
(95)	Contributions in respect of Clinical / Medical Negligence Claims	895
47	Other Income	42
<u>(48)</u>	Total Other Operating Income	SOCNE <u>937</u>
<u>3,454</u>	Total Income	<u>2,861</u>
<u>2,137</u>	Of the above, the amount derived from NHS bodies is	<u>1,678</u>

NHS 24

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2016

ANALYSIS OF CAPITAL EXPENDITURE

Note 9

2015 £'000		Note	£'000
	EXPENDITURE		
283	Acquisition of Property, plant and equipment	11	87
<u>283</u>	Gross Capital Expenditure		<u>87</u>
<u>283</u>	Net Capital Expenditure		<u>87</u>
SUMMARY OF CAPITAL RESOURCE OUTTURN			
	Core capital expenditure included above		87
	Core Capital Resource Limit		<u>90</u>
	Saving / (excess) against Core Capital Resource Limit		<u>3</u>
283	Total capital expenditure		87
<u>300</u>	Total Capital Resource Limit		<u>90</u>
<u>17</u>	Saving / (excess) against Total Capital Resource Limit		<u>3</u>

NHS 24

INTANGIBLE ASSETS

Note 10

FOR THE YEAR ENDED 31ST MARCH 2016

	Software Licences	Information Technology Software	Total
Note	£'000	£'000	£'000
Cost or valuation – at 1 April 2015	300	2,180	2,480
Impairment Charge	(81)	(979)	(1,060)
As at 31 March 2016	219	1,201	1,420
Amortisation			
As at 1 April 2015	299	1,877	2,176
Provided during the year	1	131	132
Impairment Charge	(81)	(979)	(1,060)
As at 31 March 2016	219	1,029	1,248
Net Book Value at 1st April 2015	1	303	304
Net Book Value at 31st March 2016	0	172	172
	BS		

PRIOR YEAR

	Software Licences	Information Technology Software	Total
Note	£'000	£'000	£'000
Cost or valuation – at 1 April 2014	734	1,746	2,480
Transfers	(434)	434	0
As at 31 March 2015	300	2,180	2,480
Amortisation			
As at 1 April 2014	289	1,686	1,975
Provided during the year	10	191	201
As at 31 March 2015	299	1,877	2,176
Net Book Value at 1st April 2014	445	60	505
Net Book Value at 31st March 2015	1	303	304
	BS		

NHS 24

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2016

PROPERTY, PLANT & EQUIPMENT (PURCHASED ASSETS)

Note 11a

Note	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation – at 1 April 2015	305	8,411	4,077	264	13,057
Additions	81	0	0	6	87
Transfers	205	0	8	(213)	0
Impairment Charge	0	(3,252)	0	0	(3,252)
As at 31 March 2016	591	5,159	4,085	57	9,892
Depreciation					
As at 1 April 2015	33	7,019	3,698	0	10,750
Provided during the year	53	454	141	0	648
Impairment Charge	0	(3,207)	0	0	(3,207)
As at 31 March 2016	86	4,266	3,839	0	8,191
Net Book Value at 1st April 2015	272	1,392	379	264	2,307
Net Book Value at 31st March 2016	505	893	246	57	1,701
Asset Financing:					
Owned	505	893	246	57	1,701
Net Book Value at 31st March 2016 BS	505	893	246	57	1,701

NHS 24 has no land and dwelling assets held at open market value.

NHS 24 has no assets held under finance leases, hire purchase or PFI/PPP contracts. NHS 24 has no assets which fall into the category of Land and Buildings (excluding dwellings), Dwellings or Transport Equipment.

PRIOR YEAR

Note	Plant & Machinery	Information Technology	Furniture & Fittings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation – at 1 April 2014	139	10,325	4,120	147	14,731
Addition	29	0	0	254	283
Transfers	137	0	0	(137)	0
Impairment Charge	0	(1,914)	(43)	0	(1,957)
As at 31 March 2015	305	8,411	4,077	264	13,057
Depreciation					
As at 1 April 2014	5	8,252	3,597	0	11,854
Provided during the year	28	675	144	0	847
Impairment Charge	0	(1,908)	(43)	0	(1,951)
As at 31 March 2015	33	7,019	3,698	0	10,750
Net Book Value at 1st April 2014	134	2,073	523	147	2,877
Net Book Value at 31st March 2015	272	1,392	379	264	2,307
Asset Financing:					
Owned	272	1,392	379	264	2,307
Net Book Value at 31st March 2015 BS	272	1,392	379	264	2,307

PROPERTY, PLANT & EQUIPMENT (DONATED ASSETS)**Note 11b**

NHS 24 holds no Donated Assets.

ASSETS HELD FOR SALE**Note 11c**

NHS 24 does not have any assets held for sale as at 31st March 2016.

PROPERTY, PLANT & EQUIPMENT DISCLOSURES**Note 11d**

2015 £'000		Note	£'000
	Net book value of tangible fixed assets at 31 March		
<u>2,307</u>	Purchased	11a	<u>1,701</u>
<u>2,307</u>	Total	BS	<u>1,701</u>

NHS 24 has no assets held under finance leases, hire purchase or PFI/PPP contracts. NHS 24 has no assets which fall in to the category of Land and Buildings.

NHS 24

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st MARCH 2016

INVENTORIES

Note 12

FOR THE YEAR ENDED 31st MARCH 2016

NHS 24 has no inventory at 31st March 2016 (2015 - £NIL).

TRADE AND OTHER RECEIVABLES

Note 13

2015 £'000		Note	£'000
	Receivables due within one year		
	NHS Scotland		
42	- SGH&SCD		32
380	- Boards		173
<u>422</u>	Total NHS Scotland Receivables		<u>205</u>
974	VAT Recoverable		670
567	Prepayments		582
80	Accrued Income		171
50	Other Receivables		59
555	Reimbursement of Provisions		1,450
<u>2,648</u>	Total Receivables due within one year		<u>3,137</u>
<u>2,648</u>	TOTAL RECEIVABLES	BS	<u>3,137</u>
2	The total receivables figure above includes a provision for bad debts of :		1
	WGA Classification		
380	NHSScotland		138
1,016	Central Government Bodies		702
-	Whole of Government Bodies		5
1,252	Balances with bodies external to Government		2,292
<u>2,648</u>	Total		<u>3,137</u>

2015 £'000		£'000
	Movements on the provision for impairment of receivables are as follows:	
2	At 1 April	2
0	Receivables written off during the year as uncollectable	(1)
<u>2</u>	At 31 March	<u>1</u>

As of 31 March 2016, receivables with a carrying value of £1k (2015: £2k) were impaired and provided for. The amount of the provision was £1k (2015:£2k). The ageing of these receivables is as follows:

2015 £'000		£'000
2	Over 6 months past due	1
<u>2</u>		<u>1</u>

The receivables assessed as individually impaired were mainly staff who have left the organisation owing money.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2016, receivables of carrying value of £31k (2015: £448k) were past their due date but not impaired. The aging of receivables which are past due but not impaired is as follows:

2015		£'000
£'000		£'000
436	Up to 3 months past due	34
0	3 to 6 months past due	0
<u>12</u>	Over 6 months past due	<u>(3)</u>
<u>448</u>		<u>31</u>

The receivables assessed as past due but not impaired were mainly Health Boards and there is no history of default from these customers recently.

Concentration of credit risk is limited due to NHS 24's receivables mainly being Health Boards and Government bodies.

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

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

2015		£'000
£'000		£'000
<u>0</u>	Counterparties with external credit ratings	<u>0</u>
<u>0</u>	Existing customers with no defaults in the past	<u>0</u>
<u>0</u>	Total neither past due or impaired	<u>0</u>

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

2015		£'000
£'000	The carrying amount of receivables are denominated in the following currencies:	£'000
<u>2,648</u>	Pounds	<u>3,137</u>
<u>2,648</u>		<u>3,137</u>

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

NHS 24

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2016

AVAILABLE FOR SALE FINANCIAL ASSETS

Note 14

NHS 24 holds no available for sale financial assets.

CASH AND CASH EQUIVALENTS

Note 15

	Note	At 01/04/15 £'000	Cash Flow £'000	At 31/03/16 £'000
Government Banking Service Account Balance		627	702	1,329
Cash at Bank and in Hand		29	(16)	13
Total Cash and Cash Equivalents – Balance Sheet	BS	656	686	1,342
Total Cash – Cash Flow Statement		656	686	1,342
		CFS		CFS

	Note	At 01/04/14 £'000	Cash Flow £'000	At 31/03/15 £'000
Government Banking Service Account Balance		1,241	(614)	627
Cash at Bank and in Hand		30	(1)	29
Total Cash and Cash Equivalents – Balance Sheet	BS	1,271	(615)	656
Total Cash – Cash Flow Statement		1,271	(615)	656
		CFS		CFS

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

NHS 24

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st MARCH 2016

TRADE AND OTHER PAYABLES

Note 16

2015 £'000		Note	£'000
	Payables due within one year		
	NHSScotland		
618	Boards		805
618	Total NHSScotland Payables		805
656	General Fund Payable		1,342
8,335	Accruals		2,818
728	Deferred income		857
762	Income tax and social security		728
588	Superannuation		615
163	Holiday Pay Accrual		77
27	Other payables		159
11,877	Total Payables due within one year		7,401
11,877	TOTAL PAYABLES	BS	7,401
	WGA Classification		
618	NHSScotland		805
1,350	Central Government Bodies		1,343
9,909	Balances with bodies external to Government		5,253
11,877	Total		7,401
	The carrying amount of payables are denominated in the following currencies		
2015 £'000			£'000
11,877	Pounds		7,401
11,877	Total		7,401

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2016

PROVISIONS

Note 17

	Pensions & Similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	Total £'000
At 1 April 2015	0	680	673	246	1,599
Arising during the year	0	1,070	187	19	1,276
Utilised during the year	0	(30)	(59)	0	(89)
Unwinding of discount	0	0	(1)	0	(1)
Reversed unutilised	0	(100)	(168)	0	(268)
At 31 March 2016	0	1,620	632	265	2,517

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

Analysis of expected timing of discounted flows

	Pensions & Similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	Total £'000
Payable in one year	0	1,620	185	0	1,805
Payable between 2 – 5 years	0	0	248	265	513
Payable between 6 – 10 years	0	0	23	0	23
Thereafter	0	0	176	0	176
At 31 March 2016	0	1,620	632	265	2,517

Provisions – Prior Year

	Pensions & Similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	Total £'000
At 1 April 2014	0	745	588	1,167	2,500
Arising during the year	0	120	85	31	236
Utilised during the year	0	0	0	(152)	(152)
Unwinding of discount	0	0	0	0	0
Reversed unutilised	0	(185)	0	(800)	(985)
At 31 March 2015	0	680	673	246	1,599

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

Analysis of expected timing of discounted flows

	Pensions & Similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	Total £'000
Payable in one year	0	680	397	0	1,077
Payable between 2 – 5 years	0	0	276	246	522
Payable between 6 – 10 years	0	0	0	0	0
Thereafter	0	0	0	0	0
At 31 March 2015	0	680	673	246	1,599

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.8% in real terms. NHS 24 currently has no such cases.

Clinical & Medical

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

The Clinical and Medical provision is based on a review of all outstanding and potential claims for which NHS 24 may be liable. Provision is made for all claims assessed by CLO as "Category 3" plus a view on the likely outcome of "Category 2" claims. All Category 2 and 3 claims that are not provided for are disclosed as contingent liabilities in Note 19.

Participation in CNORIS

CNORIS is a risk transfer and financing scheme for NHSScotland. NHS 24 now holds a provision which relates to the recognition of the Board's respective share of the total liability of NHSScotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office.

Other

Dilapidations - This is a provision to re-instate the properties that NHS 24 leases to their original condition in line with the terms of the lease agreements. NHS 24 has contacted the local valuer for both sites to calculate the level of investment that would be required. The provision will increase equally in each year of the lease to reach the level of investment required at the end of the lease agreement.

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NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2016

CLINICAL NEGLIGENCE AND OTHER RISKS IDEMNITY SCHEME (CNORIS) Note 17b

2015 £'000		Note	£'000
680	Provision recognising individual claims against the NHS Board as at 31 March	17	1,620
(555)	Associated CNORIS receivable at 31 March	13	(1,450)
673	Provision recognising NHS Board's liability from participating in the scheme as at 31 March	17	632
798	Net Total Provision relating to CNORIS At 31 March 2016		802

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

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

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

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

NHS 24

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2016

MOVEMENT ON WORKING CAPITAL BALANCES

Note 18

2015 Net Movement £'000		Note	Opening Balances £'000	Closing Balances £'000	Net Movement £'000
TRADE AND OTHER RECEIVABLES					
66	Due within one year	13	2,648	3,137	
			<u>2,648</u>	<u>3,137</u>	
			2,648	3,137	
66	Net Decrease/(Increase)				(489)
TRADE AND OTHER PAYABLES					
2,054	Due within one year	16	11,877	7,401	
(96)	Less: Capital included in above		(191)	(26)	
808	Less: General Fund Payable included in above	16	(656)	(1,342)	
			<u>11,030</u>	<u>6,033</u>	
2,766	Net (Decrease)/Increase				(4,997)
PROVISIONS					
(901)	Balance Sheet	17	1,599	2,517	
(901)	Net (Decrease)/Increase				918
1,931	NET MOVEMENT (Decrease)/Increase	CFS			(4,568)

NHS 24

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2016

CONTINGENT LIABILITIES

Note 19

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

2015 £'000		Value £'000
1,610	Clinical and medical compensation payments	495
1,610	TOTAL CONTINGENT LIABILITIES	495

CONTINGENT ASSETS

2015 £'000		Value £'000
1,390	Clinical and medical compensation payments	450
1,390	TOTAL CONTINGENT ASSETS	450

Clinical and medical compensation payments

Incidents have occurred in the normal course of business that cannot be quantified with the necessary degree of certainty to allow a provision to be made.

As a consequence, a contingent liability for £495,000 has been recognised in respect of these claims.

A contingent asset of £450,000 has also been recognised representing the monies that are recoverable from CNORIS in respect of the claims.

Equal Pay

NHS 24 currently has no claims that have been lodged with the Employment Tribunal under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under their pay arrangements.

Unquantified Contingent Liability – Contractual Dispute with Third Party Supplier

NHS 24 has an unquantified contingent liability relating to a contractual dispute with a third party supplier. There is a possible obligation that NHS 24 will have to meet as a result of this claim, but it is not possible to confirm whether this obligation will lead to a transfer of economic benefits as the ultimate outcome is still uncertain and will be confirmed only on the conclusion of further discussions with the supplier. This will not be resolved fully until after the date of approval of the financial statements.

Unquantified Contingent Asset – Third Party Advisor

NHS 24 has an unquantified contingent asset relating to a third party advisor. The potential recovery is up to a value of £100,000.

POST BALANCE SHEET EVENTS

Note 20

There are no post balance sheet events.

NHS 24

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2016

COMMITMENTS

Note 21

2015 £'000	Capital Commitments The Board has the following Capital Commitments which have not been provided for in the accounts	Property, plant and equipment £'000	Total £'000
	Contracted		
0	Roof Safety adaptations	26	26
0	Air conditioning ventilation works	114	114
0	Leak detection, plant rooms	19	19
0	Chillers upgrade	13	13
0	Total	172	172
	Authorised but not Contracted		
10	Energy Reduction schemes	0	0
113	Accommodation Review	0	0
100	Air Conditioning replacement	51	51
25	Gas Detection system	19	19
0	Guttering Works	7	7
248	Total	77	77

COMMITMENTS UNDER LEASES

Note 22

2015 £'000	Operating Leases Total future minimum lease payments under operating leases are given in the table below for the each of the following periods.	£'000
	Obligations under operating leases comprise:	
	Buildings	
1,659	Not later than one year	1,659
1,659	Later than one year, not later than two years	1,415
3,756	Later than two years, not later than five years	3,512
3,630	Later than five years	2,639
	Other	
74	Not later than one year	60
37	Later than one year, not later than two years	43
17	Later than two years, not later than five years	17
	Amounts charged to Operating Costs in the year were:	
107	Hire of equipment (including vehicles)	91
1,279	Other operating leases	1,043
1,386	Total	1,134

NHS 24

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2016

COMMITMENTS UNDER PFI CONTRACTS

Note 23

NHS 24 has no commitments under PFI Contracts.

PENSION COSTS

Note 24

NHS 24 participates in the NHS Superannuation Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The 31 March 2016 valuation will set contribution rates from 1 April 2019.

NHS 24 has no liability for other employers obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme. The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the NHS 24 is unable to identify its share of the underlying assets and liabilities of the scheme.

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

The total employer contributions received for the NHS Scotland scheme in the year to 31 March 2014 were £659.8 million. NHS 24's level of participation in the scheme is 0.7% based on the proportion of employer contributions paid in 2014-15.

For the current year, normal employer contributions of £4.862m were payable to the SPPA (prior year £3.996m) at the rate of 14.9% (prior year: 13.5%) of total pensionable salaries.

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

	2015/16	2014/15
	£'000	£'000
Pension cost charge for the year	4,862	3,996

NHS 24

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2016

EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

Note 25

There are no exceptional items or prior year adjustments for the year ended 31st March 2016.

RESTATED SOCNE

Note 26

RESTATED BALANCE SHEET

RESTATED CASH FLOW STATEMENT

NHS 24 has not restated any of its financial statements.

NHS 24

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2016

FINANCIAL INSTRUMENTS

Note 27

27a Financial Instruments by Category

Financial Assets				Loans and Receivables
2015	At 31 March	Note		£'000
Loans and Receivables	Assets per balance sheet			
£'000				
172	Trade and other receivables excluding VAT, prepayments, reimbursements of provisions	13		265
656	Cash and cash equivalents	15		1,342
<u>828</u>	Total			<u>1,607</u>

Financial Liabilities				2016 Other Financial Liabilities
2015	At 31 March	Note		£'000
Other Financial Liabilities	Liabilities per balance sheet			
£'000				
9,181	Trade and other payables excluding statutory liabilities and superannuation	16		4,396
<u>9,181</u>	Total			<u>4,396</u>

27b FINANCIAL RISK FACTORS

Exposure to Risk

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

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

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

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

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

The Board provides written principles for overall risk management, as well as written policies such as Standing Financial Instructions covering good practice in financial management.

a) Credit Risk

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

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

Customers are assessed, taking into account their financial position, past experience and other factors,

with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the NHS Board.

The utilisation of credit limits is regularly monitored.

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

b) Liquidity Risk

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

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 March 2016				
Trade and other payables excluding statutory liabilities	6,058	0	0	0
	6,058	0	0	0

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 March 2015				
Trade and other payables excluding statutory liabilities	10,497	0	0	0
	10,497	0	0	0

c) Market Risk

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

i) Cash flow and fair value interest rate risk

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

ii) Foreign Currency Risk

As at 31st March 2016, NHS 24 has minimal exposure to foreign currency risk.

iii) Price risk

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

NHS 24

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2016

DERIVATIVE FINANCIAL INSTRUMENTS

Note 28

NHS 24 had no derivative financial instruments in 2015/16.

RELATED PARTY TRANSACTIONS

Note 29

The Board had a small number of arms length transactions with other government departments and other central government bodies.

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

SEGMENTAL INFORMATION

Note 30

	Clinical £'000	Corporate £'000	2016 £'000
Net operating cost	43,491	30,691	74,182

PRIOR YEAR

	Clinical £'000	Corporate £'000	2015 £'000
Net operating cost	41,981	25,962	67,943

THIRD PARTY ASSETS

Note 31

NHS 24 does not have any third party assets.



NHS 24

DIRECTION BY THE SCOTTISH MINISTERS

- 1. The Scottish Ministers, in exercise of the powers conferred by sections 86(1), (1B) and (3) of the National Health Service (Scotland) Act 1978, as read with article 5(1) of and the Schedule to the NHS 24 (Scotland) Order 2001, (S.S.I. 2001/137), and all powers enabling them in that behalf, hereby give the following direction.**
- 2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.**
- 3. Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.**
- 4. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.**
- 5. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.**

Signed by the authority of the Scottish Ministers

Dated: 10/02/06