



ANNUAL REPORT AND ACCOUNTS

For

Year Ended 31 March 2016

NHS ORKNEY ANNUAL REPORT AND ACCOUNTS 2015/16

CONTENTS

A. PERFORMANCE REPORT.....	3
1. OVERVIEW.....	3
2. PERFORMANCE ANALYSIS.....	7
B. ACCOUNTABILITY REPORT.....	10
1. CORPORATE GOVERNANCE REPORT.....	
DIRECTORS' REPORT.....	10
STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE HEALTH BOARD.....	13
STATEMENT OF HEALTH BOARD MEMBERS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS.....	14
GOVERNANCE STATEMENT.....	15
2. REMUNERATION AND STAFF REPORT.....	23
INDEPENDENT AUDITOR'S REPORT.....	29
STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE.....	31
CONSOLIDATED BALANCE SHEET.....	33
STATEMENT OF CONSOLIDATED CASHFLOWS.....	34
STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY.....	35
NOTES TO THE ACCOUNTS.....	36
NOTE 1 ACCOUNTING POLICIES.....	36
NOTE 2 A STAFF NUMBERS AND COSTS.....	44
NOTE 2 B HIGHER PAID EMPLOYEES REMUNERATION.....	44
NOTE 3 OTHER OPERATING COSTS.....	45
NOTE 4 HOSPITAL AND COMMUNITY HEALTH SERVICES.....	45
NOTE 5 FAMILY HEALTH SERVICE EXPENDITURE.....	45
NOTE 6 ADMINISTRATION COSTS.....	46
NOTE 7 OTHER NON CLINICAL SERVICES.....	46
NOTE 8 OPERATING INCOME.....	47
NOTE 9 ANALYSIS OF CAPITAL EXPENDITURE.....	48
NOTE 10 INTANGIBLE ASSETS.....	48
NOTE 11 A PROPERTY, PLANT AND EQUIPMENT (Purchased Assets).....	49
NOTE 11 B PROPERTY, PLANT AND EQUIPMENT (Donated Assets).....	51
NOTE 11 C ASSETS HELD FOR SALE.....	52
NOTE 11 D PROPERTY, PLANT AND EQUIPMENT DISCLOSURES.....	52
NOTE 12 INVENTORIES.....	52
NOTE 13 TRADE AND OTHER RECEIVABLES.....	53
NOTE 14 AVAILABLE FOR SALE FINANCIAL ASSETS.....	54
NOTE 15 CASH AND CASH EQUIVALENTS.....	55
NOTE 16 TRADE AND OTHER PAYABLES.....	56
NOTE 17 PROVISIONS.....	57
NOTE 18 MOVEMENT ON WORKING CAPITAL BALANCES.....	59
NOTE 19 CONTINGENT LIABILITIES.....	59
NOTE 20 EVENTS AFTER THE END OF THE REPORTING YEAR.....	59
NOTE 21 CAPITAL COMMITMENTS.....	60
NOTE 22 COMMITMENTS UNDER LEASES.....	60
NOTE 23 COMMITMENTS UNDER PFI – OFF BALANCE SHEET.....	60
NOTE 24 PENSION COSTS.....	61
NOTE 25 PRIOR YEAR ADJUSTMENTS.....	61
NOTE 26 RESTATED BALANCE SHEET.....	62
NOTE 27 FINANCIAL INSTRUMENTS.....	63
NOTE 28 DERIVATIVE FINANCIAL INSTRUMENTS.....	64
NOTE 29 RELATED PARTY TRANSACTIONS.....	64
NOTE 30 SEGMENTAL REPORTING.....	65
NOTE 31 THIRD PARTY ASSETS.....	65
NOTE 32 A CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE.....	65
NOTE 32 B CONSOLIDATED GROUP BALANCE SHEET.....	66
NOTE 32 C CONSOLIDATED STATEMENT OF CASHFLOWS.....	67

NHS ORKNEY

ANNUAL REPORT AND ACCOUNTS 2015/16

A. PERFORMANCE REPORT

1. OVERVIEW

NHS Orkney is the common name for Orkney Health Board.

The NHS Board was established in 1974/75 under the National Health Service (Scotland) Act 1972 and is responsible for commissioning health care services for the residents of Orkney, with a growing population of approximately 21,500.

NHS Boards have a governing Board which is responsible for improving the health of the local population and delivering the healthcare they require. The overall purpose of the Board is to ensure efficient, effective and accountable governance, and to provide strategic leadership and direction.

The role of the Board is to:

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

The functions of the Board comprise:

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

Development of the Board's Strategy and Corporate Plan

Building towards the future, a Transforming Clinical Services (TCS) programme has been established with a number of work streams in place, and discrete governance arrangements. The vision is that:

We will offer everyone in Orkney access to an NHS that helps them to keep well and provide them with high quality care when it is needed, whilst employing a skilled and committed local workforce who are proud to work for NHS Orkney.

The programme delivered service improvement activities across NHS Orkney, for example: a range of improvements for scheduled care, Local Unscheduled Care Action Plan and a co productive approach to the development of the Local Delivery Plan. During 2015/16 we moved outpatients to the former day hospital and have refurbished the old facility, allowing us to increase capacity and improve booking arrangements. We are investing in improvement and innovation capacity to drive our transformation agenda.

An updated Corporate Plan was approved by the Board in April 2015. In approving the Corporate Plan, the Board endorsed the corporate objectives which drive our personal objectives and staff development and appraisal processes.

Our Local Delivery Plan for 2015/16 highlighted five priorities:

- Implementing our agreed vision for the Isles Network of Care. Having adopted this approach, we are streamlining management, administration and support services. Recruitment exercises were conducted for clinical staff, reducing the need for locum and agency staff. We are reviewing the services on each island, with a view to introducing consistent practice, and improved equity.
- Supporting a programme of process improvement, planned care and repatriation that provides more opportunities to access timely local services in Orkney. We provided additional care in Orkney, including 800 appointments for a CT scan, 50 appointments for stroke services, and 40 gynaecology appointments. We are using Video Conferencing to avoid un-necessary travel.
- Reviewing mental health services to ensure we promote good mental health and improve local services. An external review of mental health services was commissioned, and took place between May 2015 and September 2015. Several recommendations are complete and some are in progress. We submitted a bid to the Primary Care Mental Health Fund to enable this work to be taken forward. We are working on plans for service development during 2016/17 which will address the immediate priorities for the core service, and then allow the remainder of the service review to be taken forward in a staged way.
- Investing in technology to: support care delivery at home or close to home, improve our business intelligence and implement a paper light strategy including an electronic records management system. We continued our partnership eHealth project with NHS Grampian to replace the TOPAS patient administration system with Trakcare, hosted by Grampian. The system went live in Orkney in June 2015. We hope to complete the implementation of Badgernet for maternity records early in 2016/17. During 2015/16 we invested in the IT infrastructure and in IT business continuity arrangements, a necessary enabler to support our ehealth programme. We established a project team who are investigating the approach to electronic records

management. We implemented phase 1 of a project in partnership with NHS National Services Scotland to develop clinical dashboards to replace the current spreadsheets. We implemented a standardised performance reporting management tool and process.

- Whilst we made good progress in respect of Primary Care development, we have not yet developed an overarching Primary Care Strategy. We will carry this action forward into 2016/17.

NHS Orkney New Hospital and Healthcare Services Project

The Outline Business Case for the New Hospital and Healthcare Facility was fully approved in 2014. After evaluation of pre qualification questionnaire submissions, three bidders were invited to participate in the competitive dialogue process which commenced in November 2014. Interim tender submissions were provided by all three bidders in March 2015. After evaluation, one bidder was down selected, in line with our governance arrangements. During 2015/16, equipment and IT audits were started. These will identify a baseline for aligning requirements with Board and project budgets and procurement timelines.

Recent changes to European accounting regulations (ESA10) changed the accounting treatment of the new build project for NHS Orkney. ESA10 (European System of Accounts 2010) is the set of rules that determines how the UK government reports its overall levels of debt in the national accounts. The rules have set out an approach to classifying infrastructure projects developed across Europe under various forms of public-private partnership. In Scotland, projects delivered through the Non Profit Distribution (NPD) programme fall under the scope of the revised rules and guidance. NPD projects see a delivery partner raise debt to pay for construction, and take responsibility for both construction and maintaining the asset in a good condition. The asset is ultimately paid for by a public authority over time as it is used. A privately classified project sees the debt count as private sector debt, whereas a project classified to the public sector counts towards the national debt.

The competitive dialogue process was extended to allow additional commercial and legal discussion about how this could be accommodated. NHS Orkney has confirmed that it is still using the Non Profit Distributing model of procurement but is making changes to the financing arrangements to accommodate the ESA10 requirements. The main change is that senior debt (normally raised by the Project Company) is being replaced with funding to be received from Scottish Government, which will form a prepayment of an element of the Unitary Charge (typically paid monthly over the lifetime of a 25 year NPD contract). All other aspects of the NPD procurement model are being preserved.

The original completion date was August 2018 and is now March 2019. The delay was caused by working through the new accounting treatment and financing with the bidders. In 2014/15 the Balfour site was impaired by £8.3m, if this delay had been identified last year this would have reduced the impairment by £276k, however, this is immaterial to adjust and the impairment was calculated correctly on the basis of information at the time. In 2015/16 asset lives have been extended by 7 months to reflect this change in completion date,

At end March 2016 the project team and advisors continue to be in competitive dialogue with the two remaining bidders, with a view to appointing a preferred bidder in June 2016.

Integration of Health and Social Care

The vision for Health and Social Care Integration is to ensure joined up care and support for people who use health and social care services and to deliver on the nine national health and wellbeing outcomes established by Scottish Government.

Orkney Health and Care, (OHAC) is a partnership between Orkney Islands Council and NHS Orkney. This has been developing in Orkney since 2010 and 2015/16 saw preparations for the transition to the new Integration Joint Board, which continues to be known as Orkney Health and Care.

Throughout 2015/16 NHS Orkney and Orkney Islands Council continued to provide leadership to direct and implement a significant change agenda which has already resulted in an integrated single line management and professional structure, as well as integrated teams for both adult and children's services. The year saw the successful completion and approval of the Scheme of Integration and Strategic Commissioning Plan.

- The Scheme of Integration is the agreement made between NHS Orkney and the Orkney Islands Council. It sets out the make-up of the Integration Authority and how it will work. The Scheme which was submitted by the partnership to Scottish Ministers was approved. The Scheme must be reviewed at least every five years.
- The Strategic Commissioning Plan is at the heart of integration and is the means by which services are redesigned in an integrated way to improve the quality and coherence of care for people using them. Each Integration Authority must put in place a Strategic Commissioning Plan for functions and budgets under its control. Our plan was co-produced via a strategic planning group whose members include representatives of non-statutory partners, service-users and service-user representatives.

Further information can be located on the Scottish Government website, and with this OHAC [link](#) .

Person Centred Care

NHS Orkney has configured its governance arrangements with Person Centred Care as one of the key governance strands within the Quality and Improvement Committee's work alongside Safe and Effective Care, and Population Health. Key areas to note:

- Within NHS Scotland complaints are required to be formally acknowledged within three working days and formally investigated and reported on within 20 days of receipt. Details of NHS Orkney's performance in 2015/16 are included in the Governance Statement on page 18.

- We have aligned the complaints and feedback process to the weekly Datix review meeting, enabling a better triangulation of feedback and operational awareness of emerging issues.
- Sleep Kits and Hospitality Kits have been introduced to the wards through use of endowments funding, following feedback from patients. Both initiatives have been positively received.
- Uptake of complaints training is continuing and plans are in place to ensure staff are fully informed of requirements regarding the revised complaints process once introduced.
- Patient stories are fed back to teams and the wards. These are generated from complaints and feedback received either by the teams or the Patient Experience Officer. A patient story precedes the formal agenda at every bi-monthly Board meeting.
- A programme to engage young volunteers in gaining feedback from patients in the Balfour Hospital using iPads has been introduced successfully with feedback shared with the Senior Charge Nurse for action as required. One of the outcomes is the introduction of spiritual care volunteers to support patients experiencing longer length of stays and subsequent boredom or loneliness.
- *Patient Opinion* is promoted through iPads and information leaflets. Use of the website to gain feedback continues to be low although activity has increased from previous years.
- Executive Director and Non-Executive patient safety walk rounds occur twice monthly and these have been extended to community settings including dental services.
- Following a self assessment and review by the Scottish Health Council of our Participation Standard, NHS Orkney was assessed as having met level 2 (implementing) of the standard.

There continues to be a high level of engagement and public involvement in the development of plans for the new hospital and healthcare facility. A Public Reference Group meets quarterly with engagement from all areas of Orkney including the Isles. This group also provides a forum for the Transforming Clinical Services programme providing opportunities for public engagement and discussion of service redesign initiatives.

Patients and the public are partners in various groups and committees including:

- Infection Control Committee
- Older People in Acute Hospitals steering group
- Patient Feedback initiatives
- Infection Control and cleanliness walk rounds
- Quality and Improvement Committee
- Endowment Funds Sub Committee.

The Patient and Public Forum is no longer required, following establishment of the Integrated Joint Board. It will be replaced by a virtual public forum to support the Partnership. Public and carer reps are members of both the IJB and the Strategic Planning Group.

NHS Orkney continues to work closely with the local Health Council to ensure public engagement and participation is included in service redesign, planning and improvement.

Safe and Effective Care

The Board and Quality Improvement Committee have received ongoing assurance through bi-monthly reports on key Healthcare Acquired Infection (HAI) performance indicators, reports which are made publicly available.

NHS Orkney continues to strive to meet the HAI targets, however they can be easily breached due to small numbers. The target for Clostridium Difficile was met (3 cases compared to target of 3) but Staph Aureus Bacteraemia infections target was breached in 2015/16 (7 cases compared to target of 3). This was reported to the Board and a root cause analysis was undertaken in each case. After case review, areas for improvement are shared throughout the organisation. Overall prescribing of antimicrobials in primary care continues to be among the lowest in Scotland, and is below the Scottish average. Prescribing of antimicrobials associated with a higher risk of Clostridium Difficile infection has continued to decrease. NHS Orkney compliance with cleanliness and estates monitoring standards has been consistently above 90% throughout the year.

The main focus this year has been the introduction of the new national HAI Standards released in February 2015. A self assessment was submitted in June 2015. NHS Orkney had its last unannounced Healthcare Environment Inspection visit in September 2015. The report was received in November 2015 and overall was positive. There was one recommendation and two requirements in the report. An improvement plan has been submitted.

Updates on the follow up actions from the Vale of Leven, and Morecambe Bay reports were provided to the Quality and Improvement Committee and to the Board. Our local response and action plan relating to the Vale of Leven report was considered and supported in July 2015. Our local response and action plan relating to the Morecambe Bay investigation was considered and supported in October 2015. We completed an exercise to align action plans from review reports, so that we are better able to ensure completion of necessary improvement activities.

Work in the Balfour Hospital continues to ensure compliance with the Older People in Acute Care Standards and the recommendations of the inspections carried out in April 2014. Activity has focussed on:

- Improving the care of patients affected by cognitive impairment
- Compliance with dementia standards including the environment
- Training associated with the Adults with Incapacity Act and Do Not Attempt Cardiopulmonary Resuscitation requirements
- Documentation and record keeping
- Ensuring the patient and or family/carers is involved in decision making regarding care and treatment.

Healthcare Improvement Scotland visited NHS Orkney on 27 May 2015 to discuss our self assessment, and consider how support could be provided for the areas of improvement identified. A follow up unannounced inspection visit took

place on 11 May 2016 and an improvement plan will be agreed by the 30 June 2016, once the report has been received.

The Lead AHP is responsible for oversight of local delivery of requirements within the AHP National Delivery Plan (2012/15). Key achievements:

- Speech and Language Therapy Review has enabled the team to develop skills and knowledge to support team resilience and risk assessed caseload capacity. This has enabled the team to build and support universal and targeted services in line with the Children and Young Person's Act.
- AHP waiting times 18 week standard.
- Physiotherapy redesign has ensured appropriate staffing levels for inpatient caseload and waiting times standards for outpatient, falls and day hospital services, however, Musculoskeletal is at 4 weeks.
- The Integrated Care Team provide in hours support to A&E to facilitate discharges from hospital.
- The AHP teams accept self-referral, promoting self management and enablement.
- Podiatry Services have been brought in house and we are implementing the Personal Footcare Guidelines.

Moving forward, national AHP priorities will be informed by the development of the Active and Independent Living Improvement Program (Adults) and Ready to Act (Children) delivery plans.

Population Health

The Quality and Improvement Committee has received ongoing assurance through quarterly reports on population health.

As a Health Promoting Health Service, staff work across NHS Orkney to improve and protect the health of the population.

Vaccination programmes have been delivered in line with national expectations. The childhood flu programme for school age children moved from primary care based to school based with a 10% increase in uptake. An innovative approach to out of hour's health protection was implemented in collaboration with other health boards.

Public Health delivered a range of health promotional campaigns. 56 cardiovascular health checks were delivered by the Public Health Practitioner (30% of planned but with an inequalities focus).

Work continued on tackling childhood obesity. Obesity was recognised as a key issue for community planning partners. A cross-board arrangement supported delivery of the Healthy Working Lives agenda.

A Service Level Agreement for sexual health services ran for 2015/16. Detect Cancer Early work occurred locally in line with national campaigns for the three primary cancers, lung, bowel and breast. The mobile breast screening unit returned to Orkney in 2015/16.

Workforce

As a remote and rural Board, NHS Orkney faces challenges with recruitment and retention, particularly impacting on medical and isles nursing. However with innovative and agile arrangements, as well as collaboration with other NHS Boards, we have had significant success in recruiting to isles nursing posts.

A run of the national workload tools was completed early 2016. This is a mandatory annual requirement to inform nurse staffing levels and skill mix in both hospital and community settings, and supports our staffing model.

Supplementary staffing, bank and locum expenditure has continued to reduce during 2015/16, with the most significant reduction being in locums as we have built on established systems and invested in a dedicated locum and bank co-ordinator, which has enabled improvement. We work collaboratively with agencies and other NHS Boards to look at new ways of working to improve consistency of cover and reduce costs.

Recruitment to medical vacancies remains challenging, however good progress has been made through regional working. A North of Scotland regional event was held in September 2015 to see how we can recruit across organisations by making working in remote and rural settings more attractive. Regional job descriptions have been established.

NHS Orkney will benefit from a regional Clinical Development Fellow programme. 6 Fellows will join NHS Orkney on a 6 monthly rotational basis, filling 3 places on our non-consultant rota, giving continuity to the team.

In Primary Care we recruited to GP posts in Out of Hours and our Isles. We continue to offer opportunities to Army nursing. Colleagues who have had placements in A&E and in the Isles have provided annual leave cover.

There has been recruitment in the following areas; Theatres, Community Nursing, Health Visiting, Laboratory, Resilience Officer, Clinical Associates in Applied Psychology and after a significant campaign we filled vacancies in Health Care Support Workers (non-clinical). A Clinical Nurse Specialist for Older People and Dementia proved to be challenging to recruit to, however after several adverts we filled this post. A Consultant Psychiatrist has been advertised several times without success.

We supported the redesign of the outpatient department by establishing a dedicated team. This was achieved by creating a general management structure supported by a mix of registered nurses and assistants. Two additional healthcare assistant positions were created. The other positions were filled through reconfiguring existing positions.

We celebrated success in relation to our Youth Employment Strategy. 2 Modern Apprentices from 2014/15 have permanent employment within NHS Orkney, and we continue with our rolling programme: further 4 MA's in Estates and Facilities, 2 in Medical Records and 1 in Care. We offered SVQ in Business Administration to 9 administration staff, and secured funding to develop 2 in house assessors to support, mentor and reinstate our SVQ Centre Accreditation.

Work continues with implementation of Everyone Matters, our Workforce Strategy. The Local Delivery Plan sets out our priorities in delivering the 2016/17 action plan and successes in 2015/16.

Patient Exemption Checking

The national Counter Fraud Service (CFS) patient claims team undertakes a Scotland-wide programme of random checks to confirm that exemption from NHS patient dental and ophthalmic charges are being claimed correctly. When entitlement is not confirmed patients are asked to repay the charge.

Counter Fraud Service estimate the potential level of fraud / error for the financial year 2015/16. These are shown in Table 1 below:

Table 1

CFS Estimation Of Income Not Recovered From Family Health Services

Service	NHS Orkney		Scotland
	£	%	%
Dental	528	16.5	34.6
Ophthalmic	0	0	45.9

Estimated Potential Fraud / Error

2. PERFORMANCE ANALYSIS

a) FINANCIAL PERFORMANCE

	Limit as set by SGHD £000	Actual Outturn £000	Variance (Over)/Under £000
Core Revenue Resource Limit	49,264	49,103	161
Non Core Revenue Resource Limit	1,026	1,015	11
Core Capital Resource Limit	2,688	2,541	147
Cash Requirement	52,025	52,025	0

b) MEMORANDUM FOR IN YEAR OUTTURN

Brought forward surplus from previous financial year	(68)
Total Savings against in year Revenue Resource Limit	104

2015/16 saw continuing financial pressures relating to the essential cover from locums to maintain staffing levels and provide safe clinical services and slow progress in savings. Engagement with budget holders resulted in 100% of the £1.229m savings target being achieved, contributing to the small surplus position for the year ended 31 March 2016. This position has been achieved without any brokerage from Scottish Government and the remaining brokerage totaling £1.062m will be repaid in 2016/17.

Provisions for impairment of receivables

NHS Orkney has included a provision of £8,000 (2014/15; £12,000) to cover doubtful receivables.

Outstanding liabilities

NHS Orkney has £4.601m of current liabilities and £0.758m of non-current liabilities; these consist principally of routine trade payables with no items of significant note.

Significant remote contingent liabilities

NHS Orkney has no significant remote contingencies.

Legal obligations

NHS Orkney has no outstanding legal obligations over and above those already reflected in these financial statements.

The following represent provisions that have been included in the financial statements with regard to possible legal obligations in 2015/16, which are the subject of claims but with no agreed resolution:

- Clinical & Medical – £50,000 (2014/15: £0)
The basis of the Clinical / Medical provision is based on information provided by Central Legal Office.
- Off island treatments – £118,000 (2014/15: £256,000)
NHS Orkney is engaged in discussion with Councils about liability for the off island treatment of a small number of patients. The provision is based on the actual value of the treatment packages.

Prior year adjustments

2014/15 has been restated to bring the fixed asset system balances in line with the financial system. Details of the adjustments made are set out in note 11a, note 25 and the Statement of Changes in Taxpayer' Equity (SOCTE).

Significant changes in fixed assets

There were no significant changes in Fixed Assets.

Private Finance Initiative (PFI) /Public Private Partnerships (PPP) / Non-Profit Distributing (NPD)

An NPD Scheme for a New Hospital and Healthcare Facility has been agreed with The Scottish Government for completion in 2018/19. Competitive dialogue with two bidders is continuing. Financial close is due in 2016/17.

Post-Balance Sheet items

No post balance sheet events have occurred.

c) PERFORMANCE AGAINST KEY NON FINANCIAL TARGETS AND STANDARDS

Local Delivery Plan (LDP) Standards have replaced the system of **Health Improvement, Efficiency and Governance, Access to Services and Treatment (HEAT targets)**, with the identified priorities also being reflected in the financial Local Delivery Plan.

LDP Standards are priorities that are set and agreed between the Scottish Government and NHS Boards to provide assurance on NHS Scotland performance and quality ambitions.

NHS Orkney monitors performance against these standards on a monthly basis and reports on progress to each Board meeting.

The universal smoking cessation services is to achieve at least 12,000 successful quits in Scotland, at twelve weeks post quit, in the 40 per cent most deprived areas (60 per cent for island health boards) in the one year ending March 2016. NHS Orkney has achieved 19 out of 23 planned quits by March 2016.

The standard for alcohol brief interventions which helps tackle hazardous and harmful drinking, which contributes significantly to Scotland's morbidity, mortality and social harm was achieved. In overall terms the alcohol brief interventions (ABIs) target was exceeded although the sub target for priority settings was not met. The target number of ABIs was 249 with 278 being achieved. 209 were delivered in priority settings against a target of 222.

The final data for the smoking cessation target will be available after June 2016 but at March 2016 19 quits have been delivered against a trajectory of 23 from all Scottish Index of Multiple Deprivation (SIMD) zones.

80% of antenatal bookings should occur by the 12th week of pregnancy for all Scottish Index of Multiple Deprivation (SIMD) quintiles of the population. This target has been consistently achieved.

The target to treat or discharge 95% of patients presenting to A&E within 4 hours was achieved, as was the stretch target of 98%. Actual performance missed this target on 4 occasions; however the average is 98.2% for the year.

The average sickness absence level over the year is 5.09%, which is lower than the NHS Scotland figure of 5.13%. The percentage performance is affected by very small numbers of staff who are on long term sick.

Whilst performance against the Knowledge and Skills Framework (eKSF) is no longer a national standard, NHS Orkney continues to monitor performance against the requirement for 80% of staff to have an annual review against their post outline. Performance continues to be stubbornly around 50% although this does not reflect the iMatter returns which show that over 70% of staff who responded, have had an appraisal.

Waiting Times and Treatment Time Guarantee

The waiting times targets form part of the LDP standards and outpatients continues to show breaches. Achievement of the target is negatively impacted by performance in Orthopaedics and Ophthalmology where demand exceeds the capacity available from visiting services. Additional Orthopaedics provision is being explored with NHS Borders with the intention of delivering waiting list initiatives in the summer of 2016 to address the backlog.

There have been dips in performance in relation to the cancer 62 day target for those urgently referred with a suspicion of cancer to begin treatment, due to the small volumes of patients, 2 of the 3 patients being delayed caused this standard to be breached.

	Outpatients < 12 wks from referral to first appointment	inpatient or day case treatment < 12 wks	Elective to commence < 18 wks from referral	Patients waiting for key diagnostics < 6 wks	A&E – 4 hrs from arrival to admission, discharge	Urgent referrals cancer to treatment < 62 days	Decision to start cancer treatment < 31 days
National Target	95.0%	100.0%	90.0%	100.0%	95.0%	95.0%	95.0%
Apr-15	92.8%	93.5%	96.6%	94.1%	97.8%	100.0%	100.0%
May-15	79.1%	98.8%	96.1%	100.0%	98.1%	100.0%	100.0%
Jun-15	91.0%	98.8%	96.8%	84.8%	99.2%	100.0%	100.0%
Jul-15	83.7%	96.0%	94.9%	91.5%	97.0%	75.0%	100.0%
Aug-15	86.0%	100.0%	94.1%	96.5%	98.6%	75.0%	100.0%
Sep-15	82.3%	98.2%	93.3%	100.0%	97.2%	75.0%	100.0%
Oct-15	76.6%	90.0%	95.8%	97.9%	98.2%	80.0%	100.0%
Nov-15	84.3%	93.1%	94.6%	100.0%	97.5%	80.0%	100.0%
Dec-15	86.7%	100.0%	94.0%	99.1%	98.9%	80.0%	100.0%
Jan-16	76.6%	94.9%	94.1%	98.3%	98.2%	33.3%	100.0%
Feb-16	84.3%	95.6%	93.2%	95.2%	99.0%	33.3%	100.0%
Mar-16	86.7%	98.6%	93.1%	100.0%	98.7%	33.3%	100.0%

(January 2016 to March 2016 have not been validated by ISD)

Due to data quality issues since the implementation of Trakcare, NHS Orkney has not been able to report during the year on performance against access targets for mental health services including Child and Adolescent Mental Health Services (CAMHS) and Alcohol and Drug Treatments. By end March 2016 we had resolved the backlog of processing for CAMHS targets and were able to confirm that there had been no breaches of the target for young people to access such services within 18 weeks of referral.

d) SUSTAINABILITY AND ENVIRONMENTAL REPORTING

NHS Orkney has continued with its sustainability programme continuing to invest in efficiency measures across the estate, including; oil to kerosene fuel conversion and lighting projects. An increase in consumption from 838.45 tonnes of CO2 being produced in 2014/15 to 901.84 tonnes in 2015/16 is attributable to use of the new CT scanner.

Signed

Date 23 June 2016

Catherine Cowan
Chief Executive

B. ACCOUNTABILITY REPORT

1. CORPORATE GOVERNANCE REPORT

a) DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2016.

1. Date of Issue

Financial statements were approved and authorised for issue by the Board on 23 June 2016.

2. Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Stephen Boyle, Assistant Director of Audit (Audit Services), Audit Scotland to undertake the audit of NHS Orkney. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

3. Board membership

Board members are selected on the basis of their position or the particular expertise which enables them to contribute to the decision making process at a strategic level. The Board has collective responsibility for the performance of the local NHS system as a whole, and reflects the partnership approach, which is essential to improving health and healthcare services. During the year NHS Orkney comprised the following: -

Chair: John Ross Scott up to 30 November 2015

Chair: Ian Kinniburgh from 1 December 2015

Vice Chair: Naomi Bremner

Executive Directors:

Cathie Cowan, Chief Executive

Elaine Peace, Director of Nursing, Midwifery and Allied Health Professionals

Hazel Robertson, Director of Finance from 31 August 2015

Marthinus Roos, Medical Director

Dr Louise Wilson, Director of Public Health

Non Executive Directors:

Vicky Anderson, Employee Director up to 25 March 2016

David Drever

Stephen Hagan, Local Authority Representative up to 13 May 2015

Steven Heddle, Local Authority Representative from 14 May 2015

Rognvald Johnson

Jeremy Richardson

Gillian Skuse

Dr Andrew Trevett, Area Clinical Forum Chair

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

Attendance at Board meetings:

Non-Executives:

Name:	Role:	Number of Meetings	Number Attended	%
J R Scott	Chair - NHS Orkney	4	3	75
I Kinniburgh	Chair – NHS Orkney	3	3	100
N Bremner	Vice Chair	7	7	100
V Anderson	Employee Director	6	5	83
D Drever	Non Executive Director	7	6	86
S Hagan	Non Executive Director	1	1	100
S Heddle	Non Executive Director	6	5	83
R Johnson	Non Executive Director	7	7	100
J Richardson	Non Executive Director	7	6	86
G Skuse	Non Executive Director	7	6	86
A Trevett	Area Clinical Forum Chair	7	6	86

Executives:

Name:	Role:	Number of Meetings	Number Attended	%
C Cowan	Chief Executive	7	6	86
E Peace	Director of Nursing, Midwifery and AHPs	7	6	86
H Robertson	Director of Finance	4	4	100
M Roos	Medical Director	7	5	71
L Wilson	Director of Public Health	7	4	57

4. Board members' and senior managers' interests

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

Board Members	Declared Interest	Role within the organisation
Stephen Hagan	Member of Orkney Islands Council.	Non Executive Board Member
Steven Heddle	Member of Orkney Islands Council Director – Steven Heddle Consultancy, ICT, Scientific Consultancy	Non Executive Board Member
Robert Kemp	Director (Business Services) of Turning Tides Scotland Ltd – consultancy services to NHS Scotland. Otodynamics Ltd – (healthcare company) brother is a majority shareholder.	Interim Director of Finance
Ian Kinniburgh	Chairman, NHS Shetland Board Chairman, National Evaluation Committee Member of National Performance Management Committee Chairman, Shetland Partnership Member, Orkney Partnership Member, ZETTRANS Member, SNP Trustee of NHS Shetland Endowments Fund Trustee of NHS Orkney Endowments Fund Member of North of Scotland Planning Group Chairs	NHS Orkney Board Chair – from 1 December 2015
Jeremy Richardson	Chair – Age Concern Orkney Chair – Advocacy Orkney Vice Chair – Relationships Scotland Vice Chair of Integrated Joint Board – voting member	Non Executive Board Member
John Ross Scott	Editor of 'Living Orkney' magazine and freelance journalist work (no health news stories – other than features).	NHS Orkney Board Chair – up to 30 November 2015
Gillian Skuse	Director – Age Concern Integrated Joint Board – voting member	Non Executive Board Member
Dr Andrew Trevett	Provision of General Medical Services to NHS Orkney. Provision of Diving Medical Services to NHS Orkney. Director – Orkney Hyperbaric Trust	Chair – Area Clinical Forum – Non Executive Board Member GP
David Drever	Integrated Joint Board – voting member	Non Executive Board Member
Rognvald Johnson	Deputy Integrated Joint Board – voting member	Non Executive Board Member
Naomi Bremner	Deputy Integrated Joint Board – voting member	Vice chair of the Board

5. Directors third party indemnity provisions

There are no third party indemnity provisions.

6. Pension Liabilities

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

7. Remuneration for non audit work

No remuneration was paid to external auditors in respect of non audit work.

8. Value of Land

There is no significant difference between the market value and the balance sheet value of land at 31 March 2016.

9. Public Services Reform (Scotland) Act 2010

NHS Orkney publishes (on its web site at www.ohb.scot.nhs.uk) all payments in excess of £25,000 in compliance with Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010.

10. Personal Data Incidents reported to the Information Commissioner

Three incidents involving personal data were reported and investigated during the year; however, no loss of clinical data was identified. Following all incidents and near misses, staff are reminded of their responsibilities in relation to the security and confidentiality of personal data.

11. Payment Policy

NHS Orkney is committed to supporting the Scottish Government by paying bills more quickly to aid businesses cash flow. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies.

Measure of Better Payment	2014/15	2015/16
Paid by value – in 10 days	67%	63%
In 30 days	94%	92%
Credit taken	16 days	18 days
Paid by volume – in 10 days	62%	56%
In 30 days	91%	90%

12. Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which NHS Orkney'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 NHS Orkney's auditors are aware of that information.

13. Events after the end of the reporting period

There were no events which occurred after the end of the financial year and before the date of publication that will have a material impact on the content of these accounts as presented.

14. Financial Instruments

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

These financial statements are approved and authorised for issue by the Board.

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

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

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 NHS Orkney's disposal; and
- safeguarding the assets of NHS Orkney.

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

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

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as accountable officer as intimated in the Departmental Accountable Officers letter to me of the 3rd February 2012.

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 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 the NHS Scotland by Scottish Ministers.
- Make judgements and estimates that are reasonable and prudent.
- State where applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

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

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

d) GOVERNANCE STATEMENT

Scope of Responsibility

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control which supports compliance with the organisation's policies and promotes achievement of the organisation's aims and objectives, including those set by Scottish Ministers. In pursuing a Board that is performing to a high standard, I am also mindful of ensuring that the best interests of patients are central to all that we do. I am also responsible for safeguarding the public funds and assets assigned to the organisation.

Purpose of Internal Control

The Board has a corporate responsibility for ensuring that arrangements are in place for the conduct of its affairs, including compliance with applicable guidance and legislation, and ensuring that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Board has an ongoing responsibility to ensure that it monitors the adequacy and effectiveness of these arrangements in practice.

In the context of the Board's principal role to protect and improve the health of Orkney residents, the Chief Executive, as Accountable Officer, has delegated authority and responsibility to secure the economical, efficient and effective operation and management of NHS Orkney and to safeguard its assets in accordance with the statutory requirements and responsibilities as the Accountable Officer for NHS Orkney.

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.

A central register of circulars is maintained by the Board Secretariat listing reference, date issued, topic, distribution, date distributed within NHS Orkney and action confirmed by lead director. Circulars are distributed weekly to the responsible Director and others as appropriate. The Director is responsible for ensuring that required actions are taken and that circulars are disseminated. There is an obligation for Directors to respond to the Board Secretary detailing action taken. This report is circulated to the Information Governance Group to enable members to assure themselves that the organisation is being kept up to date with new requirements, regulations and standards being issued by the Scottish Government Health Directorate and seek assurance that appropriate action has been taken. The list of circulars and action taken is included on the board agenda under key documents, and goes to all the professional advisory groups for information.

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

The Board meets regularly during the year to progress the business of NHS Orkney. Against each member shows their attendance levels. The following standing committees (and Integration Programme Board short life Board – see below) are in operation within NHS Orkney:

- Audit
- Finance and Performance
- Orkney Health and Care was stood down (Integration (Joint) Programme Board was established reporting directly to the Board to oversee the preparedness for integration in response to the Public Bodies (Joint Working) Scotland Act 2014)
- Quality and Improvement
- Staff Governance
- Remuneration

Audit Committee:

NHS Orkney has established the Audit Committee to support the Board in its responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge including the review of the annual accounts and internal and external audit reports. There were 8 meetings held during 2015/16.

Members:

Naomi Bremner (attended 8 of 8)	(Chair)
Rognvald Johnson (7 of 8)	(Vice Chair)
Vicky Anderson (8 of 8)	(up to 25 March 2016)
David Drever (4 of 5)	(from 23 June 2015)
Jeremy Richardson (2 of 3)	(up to 22 June 2015)

Finance and Performance Committee:

The purpose of the Finance and Performance Committee is to review the financial and non financial targets of NHS

Orkney, to ensure that appropriate arrangements are in place to deliver against organisational performance measures, to secure economy, efficiency, and effectiveness in the use of all resources, and provide assurance that the arrangements are working effectively. There were 7 meetings held during 2015/16.

Members:

Stephen Hagan (attended 0 of 0)	(Chair up to 13 May 2015)
Rognvald Johnson (7 of 7)	(Vice Chair up to 22 June 2015) (Chair from 23 June 2015)
Steven Heddle (7 of 7)	(Vice Chair from 23 June 2015)
Naomi Bremner (1 of 1)	(up to 22 June 2015)
Cathie Cowan (6 of 7)	
Robert Kemp (2 of 2)	(up to 30 August 2015)
Ian Kinniburgh (2 of 3)	(from 1 December 2015)
Hazel Robertson (5 of 5)	(from 31 August 2015)
John Ross Scott (2 of 4)	(up to 30 November 2015)
Gillian Skuse (5 of 7)	

Quality and Improvement Committee:

The purpose of the Quality and Improvement Committee is to provide NHS Orkney with the assurance that robust clinical governance controls and management systems are in place and effective throughout NHS Orkney. As Accountable Officer I introduced a reporting structure led by each of the Board's Clinical Directors. The reporting governance structure covers: Person Centered Care, Safe and Effective Care and Population Based Health. This new sub structure is well embedded and allows for better reassurance and assurance to this Committee and ultimately to the Board. There were 4 meetings held during 2015/16.

Members:

Jeremy Richardson (attended 4 of 4)	(Chair)
Dr Andrew Trevett (4 of 4)	(Vice Chair)
Naomi Bremner (3 of 3)	(from 23 June 2015)
Cathie Cowan (1 of 4)	
Roelf Dijkhuizen (1 of 1)	(up to 9 September 2015)
David Drever (1 of 1)	(up to 22 June 2015)
Ian Kinniburgh (0 of 1)	(from 1 December 2015)
Elaine Peace (4 of 4)	
Marthinus Roos (3 of 4)	
John Ross Scott (3 of 4)	(up to 30 November 2015)
Gillian Skuse (0 of 1)	(up to 22 June 2015)
Heather Tait, Public Representative (4 of 4)	
Louise Wilson (3 of 4)	

Staff Governance Committee:

The purpose of the Staff Governance Committee is to advise NHS Orkney on its responsibility, accountability and performance against the NHS Scotland Staff Governance Standard, addressing the issues of policy, targets and organisational effectiveness.

This will be demonstrated through achievement and progress towards the Standard by:

- qualitative data collected during the self-assessment audit conducted by the local partnership forum
- the action plans submitted to, and approved by, the Staff Governance Committee
- staff survey results
- quantitative data provided in statistical returns

There were 4 meetings held during 2015/16.

Members:

David Drever (4 of 4)	(Chair)
Vicky Anderson (4 of 4)	(Vice Chair, up to 25 March 2016)
Naomi Bremner (4 of 4)	
Cathie Cowan (3 of 4)	
Fiona MacKellar, Partnership representative (3 of 4)	
Julie Nicol, Head of Human Resources Services (4 of 4)	
James Robertson, Staff representative(1 of 4)	
John Ross Scott (0 of 1)	(up to 22 June 2015)
Andrew Trevett (0 of 3)	(from 23 June 2015)

Remuneration Committee:

The Remuneration Committee is responsible for determining and regularly reviewing NHS Orkney's pay policy, in line with national conditions and guidance. The committee also agrees the individual in-year objectives of the NHS Orkney's executive directors. The committee is required to approve the annual performance assessment of executive directors in June each year. There were 3 meetings held during 2015/16.

Members:

John Ross Scott (2 of 2)	(Chair) (up to 30 November 2015)
Ian Kinniburgh (1 of 1)	(Chair) (from 1 December 2015)
Stephen Hagan (1 of 1)	(Vice Chair) (up to 13 May 2015)
Steven Heddle (2 of 2)	(Vice Chair) (from 14 May 2015)
Vicky Anderson (2 of 3)	(up to 25 March 2016)
Rognvald Johnson (3 of 3)	

Endowment Fund Sub Committee:

The Endowment Fund Sub Committee is responsible for the routine administration of the Endowment Account, working to designated authority levels for approval of expenditure. There were 4 meetings held during 2015/16.

Under the terms of the Scottish Health Plan, the NHS Board is a board of governance. Its purpose is to ensure the efficient, effective and accountable governance of the local NHS system and to provide strategic leadership and direction for the system as a whole, focusing on outcomes.

The NHS Board comprises of the Chair, eight non-executive and five executive directors; of the non-executive directors one is nominated by Orkney Islands Council; two are nominated via their roles with the Area Clinical Forum and Area Partnership Forum and other non-executives are appointed through a public appointments process by the Scottish Ministers and are selected on the basis of their position or their particular expertise which enables them to contribute to our vision, strategic direction and the decision making process at a strategic level.

Our organisation's vision is that:

We will offer everyone in Orkney access to an NHS that helps them to keep well and provide them with high quality care when it is needed, whilst employing a skilled and committed local workforce who are proud to work for NHS Orkney.

Functions of the Board

An effective Board articulates an ambition for their organisation whilst managing the risk contained within that ambition and demonstrating leadership by undertaking three key roles:

- Formulating strategy, including the development of the Local Delivery Plan
- Ensuring commitment and accountability by holding the organisation to account for performance and the delivery of both improvement in population health/addressing health inequalities and individual experience of care whilst operating within a context of affordability and sustainability
- Shaping a positive culture (open, just and fair) for the Board and organisation

Responsibilities of Members of the Board

Membership of Orkney NHS Board carries with it a collective and corporate responsibility for the discharge of these functions. All members are expected to bring an impartial judgement to bear on issues of strategy, performance management, key appointments and accountability, upwards to Scottish Ministers and outwards to the local community.

It is the duty of the Chair and me as Chief Executive to ensure that Board Members and staff understand their responsibilities. Board Members and Managers have received copies of the Code of Corporate Governance and the Board Secretary maintains a list of managers to whom the Code of Corporate Governance has been issued. Managers are responsible for ensuring their staff understand their own responsibilities.

The NHS Board has governance arrangements in place which provide an integrated approach to governance across clinical areas, staff arrangements, involving and engaging people in our service, developments and performance management. The conduct and proceedings of the NHS Board are set out in its Code of Corporate Governance; this document specifies the matters which are solely reserved for the NHS Board to determine, the matters which are delegated under the Scheme of Delegation and the matters which are remitted to a Standing Committee of the NHS Board.

The Code of Corporate Governance also includes the Code of Conduct that board members must comply with, along with the Standing Financial Instructions. These documents are the focus of the NHS Board's Annual Review of governance arrangements. The Board of NHS Orkney reviews and approves the Code of Corporate Governance each year. The Standing Orders are made in accordance with The Health Boards (Membership and Procedure) (Scotland) Regulations 2001.

The non-executive members provide constructive scrutiny and challenge and this is evidenced in minutes of meetings. In addition to the Code of Conduct for Members, the NHS Board has a Corporate Plan which sets out 'our promise' to patients and their families and how NHS Orkney prides itself in delivering high quality care whilst ensuring all our patients are treated with dignity and respect. The Corporate Plan sets out 'our promise' to staff and our expectations from staff to demonstrate their commitment and accountability for their actions and contribution to individual, team/department and organisational performance.

All NHS Board executive directors review their development needs as part of the annual performance management and development process. This process is directed by the Board's agreed corporate objectives.

Internal Audit carried out Board and Committee development sessions in May 2015 indicating: -

- 87% of board members either agreed or were neutral that the time incurred during board meetings were used efficiently
- 50% of board members felt that it was not feasible to carry out their duties within the time and with the support available
- 50% agreed that the right support and development was available to carry out their role effectively
- 75% felt the board is open and accessible and actively promotes public attendance at meetings
- 75% either agreed or strongly agreed that the board received adequate and appropriate assurance from its governance committees.

Our corporate themes/objectives, informed by our staff, and approved by the Board, for 2015/16 were:

- Improve the health of the people of Orkney including our own staff whilst addressing inequalities
- Improve the individual experience of care and our services
- Value and develop our people
- Make best use of our available resources
- Achieve national and local standards
- Encourage and nurture a values based culture that promotes and supports improvement, integration and innovation.

These corporate themes/objectives drive the annual performance and development appraisal process. I am accountable to the Board through the Chair of the NHS Board. The Chair agrees my (Chief Executive) annual objectives in line with the Board's strategic and corporate plans. Our Corporate Plan (2015/17) was updated in April 2015 and informs our 'new' corporate objectives which in the main align with the above objectives.

NHS Orkney strives to consult with all of its key stakeholders. How we inform, involve and consult with patients, partners and the public in transforming clinical services is an important part of how we plan for the future. To fulfil our responsibilities for public involvement, we routinely communicate with and involve people and communities including Community Council members in developing our plans. Our Public Partnership Forum provides a mechanism for promoting and encouraging the involvement of local people and communities in the design and delivery of the health services they use.

NHS Orkney has a well established complaints system, whereby members of the public can make a formal complaint to the Board regarding their care or treatment or how services are organised. Information on our complaints system can be accessed through NHS Orkney's website. (The whistleblowing policy can be located with this [link](#)).

Complaints must be acknowledged in writing within three days and investigated within 20 working days or as soon as reasonably practicable. For 2015/16, NHS Orkney received 47 complaints of which 2 were withdrawn, compared with 50 in 2014/15 and 5 withdrawn. 100% of complaints have been acknowledged within 3 working days and the response rate within 20 working days is 68.9% which is down from 79.5% at March 2015.

Two complaints were referred to the Scottish Public Services Ombudsman. One complaint regarding delays in carrying out a procedure was not upheld. The second complaint, relating to staff failing to provide timely care and treatment, was upheld and recommendations made. This has been shared with appropriate clinicians and reflected upon as per the recommendations.

Another source of communication stems from Freedom of Information requests. Responses to Freedom of Information requests are authorised by two Executive Directors to improve overall response times and provide adequate scrutiny. During 2015/16 486 requests were received of which 96% were answered within the 20 day deadline compared with 495 requests in 2014/15 of which 85% were answered within the 20 day deadline. Quarterly reporting of statistics was provided to the Scottish Information Commissioner.

We strive to inform and involve our staff, and in this regard, we have well established methods of communication eg Team Orkney Communications, Team Briefs/Updates, staff newsletter "Keyhole" and the internal Blog. Feedback from staff in the National Staff Survey was positive with improvement in overall experience and in each of the staff governance standards. The areas that staff responded less positively are themed around how we involve our staff and communicate with them. NHS Orkneys Communication and Engagement Strategy was approved at the Board in December 2015 which through implementation seeks to address these issues. The staff survey results also remind us that engagement with e-KSF is low, yet those who have had an appraisal tell us this has had a positive impact. Information from the staff survey resonates with the areas highlighted through iMatter reports, and in the iMatter Board Report. Engagement with iMatter has been exceptionally high with 82% of teams having completed their questionnaires. NHS Orkney will have fully implemented iMatter by August 2016, with Phase 3 going live in June.

53% of our staff responded to the NHS Scotland Staff Survey between 10 August and 23 September 2015. This was 1% higher than in 2014 and was significantly above average for NHS Boards (38%). Our results showed no material changes in the findings from the previous survey, with staff who responded confirming:

- My line manager communicates effectively with me (69% in 2015 compared with 66% in 2014)
- I am clear what my duties and responsibilities are (83% in 2015 compared with 85% in 2014)
- I understand how my work fits into the overall aims of NHS Orkney (74% in 2015 compared with 75% in 2014)
- The percentage of staff indicating they have had a KSF development review, performance review; appraisal, Personal Development Plan meeting or equivalent is 72%
- My line manager encourages me at work (71% in 2015 compared with 69% in 2014)
- I believe it is safe to speak up and challenge the way things are done if I have concerns about quality, negligence or wrongdoing by staff (54% in 2015 compared with 51% in 2014).

An area of focus for 2015/16 included a refresh of our Communication and Engagement Strategy to enhance how we engage with staff on changes at work and how that affects them in practice, and working closer with teams on how to manage conflicting demands on time. This was approved by the Board in February 2016.

NHS Orkney has completed Phase 2 of our iMatter implementation plan, with 51 teams having completed their questionnaires. Phase 3 is currently live and is the final phase of our implementation plan, with Phase 2 anniversary run due to start mid June. This will see all NHS Orkney and some integrated teams fully implemented, with our response rate at 82%. The Employee Engagement Index for the Board to date is 77%.

NHS Orkney is committed to working in partnership with its staff, community planning partners (CPP) and the Third sector. In 2015/16 significant progress has been made to review the CPP structure, agree our CPP priorities and how

we work together to tackle inequalities and promote both prevention and early intervention within a context of integration and public service reform.

Health and Social Care Integration

NHS Orkney has worked in partnership with Orkney Islands Council to provide leadership and direction to support and implement the integration legislative requirements to establish a shadow Integration Joint Board during 2015/16. During 2015/16 our Integration Scheme was approved by Scottish Ministers and our Strategic Commissioning Plan was endorsed by both Orkney Islands Council and NHS Orkney following approval by Orkney Health & Care (our Integrated Joint Board). NHS Orkney staff worked in partnership with Council staff to ensure that all the necessary documents and structures were in place and the Chief Officer and Chief Finance Officer were in post prior to the Integrated Joint Board becoming operational on 1 April 2016.

As part of the assurance process, NHS Orkney commissioned Internal Audit to perform an interim review of how NHS Orkney was ensuring that the integration meets the requirements of the pre-integration provisions contained in the guidance for financial assurance. This audit enabled the working groups supporting the development of the Integration Joint Board to include additional activities as required, and streamline the project reporting arrangements. At end March the group reviewed the outgoing outputs log and agreed any actions requiring to be carried forward. For 2016/17, NHS Orkney identified budgets totalling £15.516m, which relate to the functions delegated by NHS Orkney to the Integration Joint Board, and the Finance and Performance Committee approved delegation to the IJB. An initial direction has been supplied to NHS Orkney to cover these functions. More detailed directions will be supplied during 2016/17. The Chief Finance Officer did not take up post until late March, and therefore the financial assurance process was not complete at 31 March 2016, but will be complete by end June 2016.

Account of the corporate governance framework

Within NHS Orkney, each assurance committee has direct reporting links into the NHS Board. The Audit Committee has the overall responsibility to scrutinise the effectiveness of risk management processes and arrangements and provides assurance to the Board.

Board and Assurance Committees review their terms of reference annually and any amended Terms of Reference are subsequently submitted to the Audit Committee for approval as an amendment to the Standing Orders. Standing Financial Instructions were reviewed during 2015/16 and were presented to the Board in April 2016 for approval.

Reports requiring decisions by the Board or Assurance Committees to discharge their business or exercise their monitoring role are submitted by the Executive Members or other Senior Officers and contain sufficient detail to enable an informed decision to be made. Any associated risks are normally included in the report as well as how they will be managed / mitigated. Reports are discussed openly at meetings and any questions fully answered by Executive Directors. Decisions are normally reached by a consensus without a formal vote but at the request of a member a formal vote would be taken.

Whilst pay arrangements for NHS staff are determined under national arrangements, the pay arrangements for the Board's senior managers whose posts are part of the Executive Management cohorts are subject to the Scottish Government Health & Social Care Directorate guidance, determined by the Remuneration Sub Committee (a sub-committee of Staff Governance Committee).

In summary, I have reviewed the Scottish Public Finance Manual and believe NHS Orkney complies with it.

NHS Endowments

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Financial Statements consolidate the Endowment Funds of NHS Orkney. This statement includes any relevant disclosures in respect of these Endowment Accounts.

Assurance on governance matters relating to Endowment Funds is obtained via an Annual Assurance Statement from the Chair of the Endowment Fund Sub Committee. The Endowment Accounts are subject to their own audit process and this has been completed and no issues have been highlighted.

Review of Adequacy and Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control and the quality of data used throughout the organisation. My views have been informed by:

- The Executive Directors who have a responsibility for the development and maintenance of the internal control framework
- The work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include their independent and objective opinion on the adequacy and effectiveness of the organisation's system of control together with recommendations for improvement
- Comments made by external auditors in their management letters and reports
- Statements of Assurance from the assurance committees of NHS Orkney
- Annual reports from assurance committees
- Executive Director's reports.

The control mechanisms are overseen and have ongoing evaluation by the NHS Board, its assurance committees and a number of other groups including:

- Risk Management Steering Group
- Information Governance Steering Group.

In this regard, the Audit Committee, which meets with both our internal and external auditors in attendance has considered 8 internal audit reports in 2015/16 as part of a three year rolling programme.

The financial planning audit reviewed the arrangements for developing and agreeing the financial plan, including the process for setting budgets and allocating resources in line with strategic goals. The report highlighted 3 high risk areas around the financial planning process, communication with budget holders and identification of savings plans and efficiency targets. Considerable progress has been made during the year as highlighted in the follow up audit. The findings have shown that plans and procedures have been implemented to address the risks and regular contact with budget holders has been received resulting in the risks being closed during the year.

A Project Management audit around the new hospital and healthcare facility was undertaken during the year without any risks being identified. It was concluded that there was a clear governance structure in place with regular reporting and financial monitoring being undertaken with a documented audit trail monitoring the actions taken.

Waiting Times

At the request of the Chief Executive and supported by the Audit Committee, Internal Audit undertook an audit into waiting times list management against national guidance and best practice. It was concluded that there are strong controls in place and a strong governance structure to manage and monitor its compliance with waiting times and standards.

The Board's waiting time performance is described in the Performance Report.

Waiting Times is reported to the Finance and Performance Committee on a regular basis. In 2015/16 the Chief Executive undertook a review of performance management reporting and recommended presenting a system wide performance management balance scorecard with supporting visuals and commentary. This report is presented to the Board and public to support the Boards commitment to openness and transparency. In addition, the Board sought support from NHS NSS to review its dashboard arrangements to improve on ward/departmental performance reporting. A replacement dashboard is currently being developed to further enhance this reporting tool. The first phase was completed by 31 March 2016.

Dental Services

The Chair of the Audit Committee requested Internal Audit to undertake a detailed review of NHS Orkney's approach to implementing the new model for dental services. The review concluded that implementation of the new model had not progressed as anticipated by the Board. The majority of patients continued to be treated by the public dental service. In September 2013, prior to implementing the new model, 14,506 patients were registered with the salaried dental staff. At August 2015, roughly 8,000 patients were still registered with NHS Orkney's salaried dental staff and roughly 6,000 patients had been registered with independent dental practices. Almost all of these 6,000 patients were registered with a single practice. In response to the report, and the issues identified, management developed a detailed action plan setting out how the issues would be addressed. The action plan set out actions, owners, timescales and desired outcomes. An update report was presented to the Board in February 2016 setting out progress in relation to patient transfers, new build and service re-design, and service reduction.

Information Management and Information Technology Security

The Executive lead for information governance is the Director for Public Health who is also the Caldicott Guardian. The Information Management and Governance Group met regularly over the year. It continues to progress work against the requirements of *CEL 26(2011) NHS Scotland Information Assurance Strategy*.

Information Governance risks are a standing item on the agenda, and the hospital, Orkney Health and Care and business support risk registers are reviewed by the group. A review to strengthen risk management and reporting in NHS Orkney benefits information governance, as the approach taken is to align reporting mechanisms for information governance issues to that of clinical issues. This streamlines the process for frontline staff. In view of this linkage a separate audit of risk management in relation to information governance has not been undertaken. Incidents relating to information governance have been discussed at the meetings in order to consider any wider organisation issues. NHS Orkney is reviewing the resources available to support information governance as there is a concern that the agenda is growing and that there is insufficient capacity to support the required workload. Planned investment in eHealth and IT staff should improve this situation.

The business continuity report by Internal Audit highlighted a risk area around disaster recovery of the IT environment. The premises have been identified and are in the process of being equipped and configured for completion in 2016/17.

Regular review of the Freedom of information (FOI) report has been undertaken. FOI reports are also submitted to the Quality and Improvement Committee. Following reduction of the depth of reporting of FOIs last year to release staff resource, the focus has been maintained on scrutiny of performance.

Review of reports on circulars received by NHS Orkney and action taken has occurred. The group has also reviewed progress against the implementation of the *Public Records (Scotland) Act 2011*. Privacy Impact Assessments have been used with the introduction of new IT systems.

Local Caldicott activity is highlighted to the group, and key issues from the national Caldicott Guardian group. Information governance issues in relation to the joint integration board were dealt with by the Executive lead.

Financial Management

During 2014/15, as Accountable Officer, I invited Internal Audit to undertake a detailed diagnostic review of NHS Orkney's financial position and budget management. The review considered the approach to budget setting and in year financial management, variance analysis and forecasting, which identified factors that had contributed to difficulties in delivering a balanced financial position towards the end of 2013/14. The original report raised 25 action points, with the follow up report highlighting 4 outstanding. These are cyclical and are not yet due for completion including budget holders to sign off their 2016/17 budgets and the profiling of these over the coming year.

Over the last five years, NHS Orkney has faced a challenging financial outlook and despite making significant savings, has required brokerage from Scottish Government of over £4m, in order to sustain financial balance. Acceleration of NRAC policy in 2015/16 meant that NHS Orkney benefitted from an uplift in its recurring funding of £4.5m. This has eliminated the historic recurring deficit and enables the repayment of brokerage over this year and next.

In 2015/16 NHS Orkney paid back £3m in brokerage, delivered £1.229m savings (100% of an agreed Savings Plan approved in 2015/16) and achieved an operating surplus. This suggests that planned improvements in financial management arrangements are effective.

We have worked hard to stabilise the consultant model through shifting the balance from agency to employed locums and securing a more regular set of locums, thus directly improving clinical care. A detailed report was supplied to the Finance and Performance Committee which documented the improvements made.

Best Value

In accordance with the principles of Best Value, NHS Orkney fosters a culture of continuous improvement. As part of this, directors and managers are encouraged to review, identify and improve the efficient and effective use of resources.

Following an Internal Audit in 2014/15, Board reports include a reference to Best Value which shows that the Board is delivering continuous improvement against each of the Scottish Government's seven themes of Best Value.

Risk Assessment

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

NHS Orkney acknowledges that the systematic and effective implementation of risk management is best practice at a corporate and strategic level as well as a means of improving the quality and safety of operational activities.

As Chief Executive I ensure there is suitable review and management of Corporate Risks and that all significant risk management concerns are prioritised, considered and communicated to the Board on a regular basis. As Chief Executive I have overall accountability for ensuring that an effective risk management system is in place, there is suitable review and management of Corporate Risks and where necessary allocation of resources, a review of risk management arrangements during 2015/16 has strengthened our systems and processes.

NHS Orkney maintains a risk register which ensures that the risks that threaten the achievement of organisational objectives and strategy implementation on safe and effective service delivery are visible and are managed at an appropriate level. This is a management tool providing clarity, addressing responsibility and generating action plans.

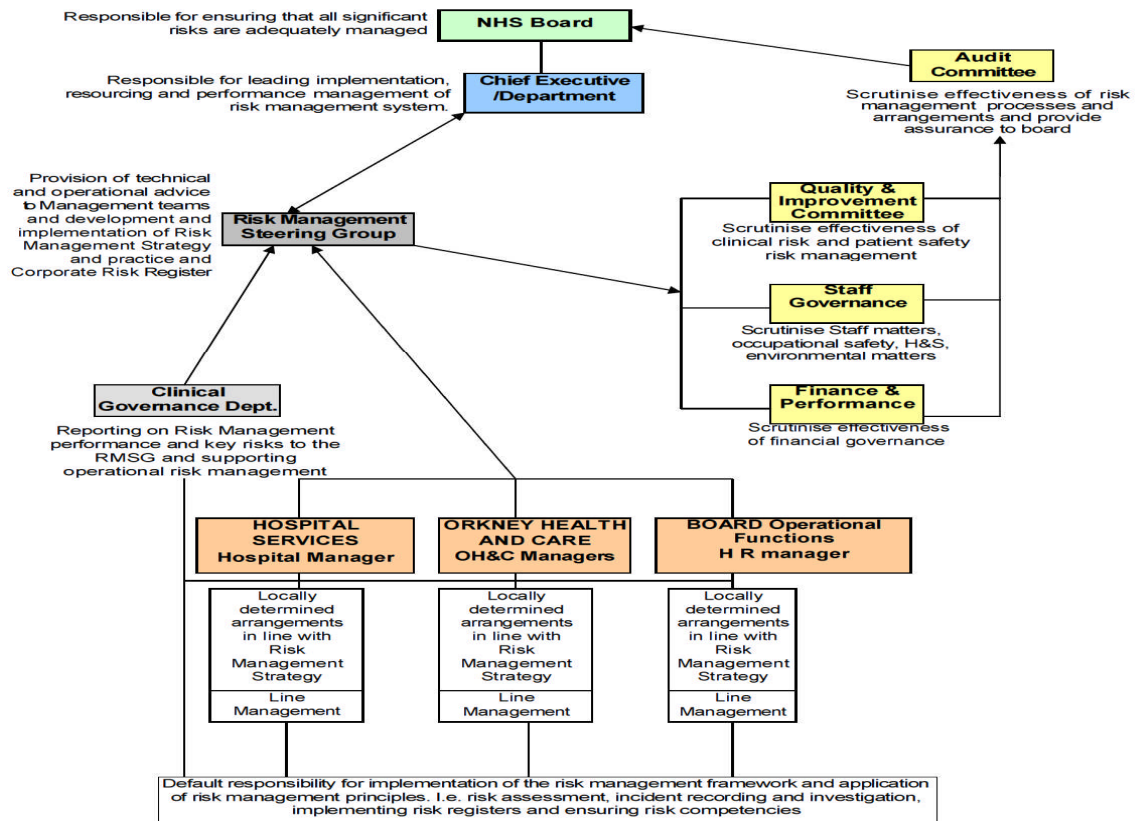
The Corporate Risk Register has been reviewed in line with our approach to improve risk management arrangements. This has been led by our Director of Finance in collaboration with the Corporate Management Team and Risk Management Steering Group. The Board now receives a risk management report to all of its meetings in public. This change supports the Board's desire to enhance its approach to openness and transparency. The most significant corporate risks relate to the following themes:

- IT outdated desktop and server operating systems, capacity within IT team to progress essential projects and connectivity restrictions to Council's PSN
- Clinical service developments including patient safety issues relating to primary care laboratory results and reporting, insufficient progress to implement mental health review findings and neonatal/paediatric staff skills maintenance
- Lack of a system for controlling, approving and reviewing clinical documentation.

All are subject to risk mitigation to ensure risks are adequately managed.

In respect of clinical governance and risk management arrangements, as Accountable Officer in collaboration with the Quality Improvement Committee I implemented a change in governance to support the national Quality Ambitions: person centred care, safe and effective care and population health and the read across to evidence based care. The new governance arrangements demonstrate our commitment to improving care and experience in line with the Scottish Patient Safety Programme. The arrangements were subject to a review of clinical governance by internal audit in 2015/16. The review found that the appropriate structures are in place to provide assurance and oversight around clinical governance activities. The current mechanisms encourage staff and member involvement at all levels. The diagram below describes the reporting and assurance processes adopted by the Board.

NHS Orkney risk management framework



Summary

In summary, as Accountable Officer, I have been advised of the effectiveness of the system of internal control by the Board, the Audit Committee which provides assurance to the Board that an appropriate system of internal control is in place, and the Risk Management Steering Group. Plans to address weaknesses and ensure continuous improvement are in place. Taking account of the work undertaken in 2015/16, I consider that we have taken appropriate steps to ensure we have discharged our responsibilities in relation to the management of risk.

2015/16 has been another ambitious year and NHS Orkney invested in key clinical services notably: supporting improved access to diagnostic having established a CT scanning and DEXA scanning service, continuing to invest in our consultant led hospital staffing model to support our service repatriation programme (work has been accepted for the poster display at NHS Scotland annual June event), investing in IT to support care and service delivery (Trakcare, OPERA) and Badgernet planned for 2016/17). In addition we have plans to further transform our services to improve quality and patient experience and to support this we have invested in improvement skills development for our staff to roll out LEAN and Experience Based Co-Design improvement methodologies.

In going into 2016/17 we have consulted on a management restructure to support our significant change programme. In May 2016 we reviewed our approach to strategy deployment and agreed our Plan to Act priorities to support our staff deliver high quality care and services. In primary care we have had a positive response to our vacancies in this area and in this regard have continued to attract high calibre GPs and Nurse Practitioners. In secondary or hospital care services we have struggled to fill consultant led vacancies and so have established a regular team of NHS locums operating a two week on/off rota. To date this is working well.

In conclusion, 2015/16 has been another year of staff members continuing to support improvement for NHS Orkney. The work on our new hospital and healthcare facility, whilst taxing us as a small Board, is also motivating as we look to the future with optimism and pride.

2. THE REMUNERATION AND STAFF REPORT

a) REMUNERATION REPORT

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION

Membership of the Remuneration Committee comprises:

Members:

John Ross Scott	(Chair) (up to 30 November 2015)
Ian Kinniburgh	(Chair) (from 1 December 2015)
Stephen Hagan	(Vice Chair) (up to 13 May 2015)
Steven Heddle	(Vice Chair) (from 14 May 2015)
Vicky Anderson	(up to 25 March 2016)
Rognvald Johnson	

The Remuneration Committee is responsible for determining and regularly reviewing NHS Orkney's pay policy, in line with national conditions and guidance. The committee also agrees the individual in-year objectives of the NHS Orkney's executive directors. The committee is required to approve the annual performance assessment of executive directors in June each year. There were 3 meetings held during 2015/16.

Remuneration

Remuneration of Board members and senior employees is determined in line with directions issued by 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 has been appropriately applied and agreed by the Remuneration Committee.

Performance Appraisal

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

Payments to Past Senior Managers

There were no payments to past senior managers during 2015/16.

Voluntary Severance

There were no voluntary severances.

Directors' and senior managers' remuneration

The following tables provide a breakdown of executive and non-executive directors' remuneration in 2015/16 and 2014/15 along with median pay information, and have been audited by NHS Orkney's auditors.

REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2016

	Gross Salary (Bands of £5,000)	Benefits in Kind £'000	Total Earnings in Year (Bands of £5,000)	Pension Benefits £'000	Total Remuneration (Bands of £5,000)
--	--------------------------------------	------------------------------	---	------------------------------	---

Remuneration of:

Executive Members

Chief Executive: C Cowan	105-110	0	105-110	17	120-125
Director of Nursing, Midwifery and AHP: E Peace	75-80	0	75-80	38	115-120
Director of Finance: H Robertson (1)	45-50	3.5	45-50	0	45-50
Medical Director: M Roos (2)	160-165	0	160-165	24	185-190
Director of Public Health: Dr L Wilson	125-130	0	125-130	160	285-290

Non Executive Members

The Chair: J R Scott (3)	15-20	0	15-20	0	15-20
The Chair: I Kinniburgh (4)	5-10	0	5-10	0	5-10
V Anderson (5)	45-50	0	45-50	15	60-65
N Bremner	5-10	0	5-10	0	5-10
D Drever	5-10	0	5-10	0	5-10
S Hagan (6)	0-5	0	0-5	0	0-5
S Heddle (7)	5-10	0	5-10	0	5-10
R Johnson	5-10	0	5-10	0	5-10
J Richardson	5-10	0	5-10	0	5-10
G Skuse	5-10	0	5-10	0	5-10
A Trevett	5-10	0	5-10	0	5-10

Other Senior Employees

Interim Director of Finance: R Kemp (8)	0-5	0	0-5	0	0-5
Head of HR: J Nicol	55-60	0	55-60	16	75-80

- Note 1: H Robertson commenced employment as Director of Finance from 31 August 2015. Gross salary would represent an annual range of £75,000 - £80,000.
- Note 2: M Roos, Medical Director, is remunerated for his substantive role as Medical Director as well as receiving remuneration in relation to his secondary role as a Consultant Orthopaedic Surgeon. Salary for his role as a Medical Director is in the range £135,000 - £140,000.
- Note 3: JR Scott ceased being a Non Executive member on 30 November 2015.
- Note 4: I Kinniburgh commenced as a Non Executive chair from 1 December 2015.
- Note 5: V Anderson ceased being Employee Director on the 25 March 2016. The remuneration disclosed comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a School Health Nurse. The remuneration for her role as a Non Executive director is in the range £5 - £10,000 to 25 March 2016.
- Note 6: S Hagan ceased being a Non Executive member on 13 May 2015.
- Note 7: S Heddle commenced as a Non Executive member from 14 May 2015.
- Note 8: Robert Kemp ceased being a part-time Interim Director of Finance on 30 August 2015; he was an independent contractor and not an employee of NHS Orkney.

FOR THE YEAR ENDED 31 MARCH 2015

	Gross Salary (Bands of £5,000)	Benefits in Kind £'000	Total Earnings in Year (Bands of £5,000)	Pension Benefits £'000	Total Remuneration (Bands of £5,000)
--	--------------------------------------	------------------------------	--	------------------------------	---

Remuneration of:

Executive Members

Chief Executive: C Cowan	100-105	0	100-105	2	105-110
Director of Finance: G O'Brien (1)	70-75	0	70-75	0	70-75
Director of Nursing, Midwifery and AHP: E Peace	70-75	3.2	75-80	50	120-125
Medical Director: M Roos (2)	160-165	0	160-165	7	165-170
Director of Public Health: Dr L Wilson	105-110	0	105-110	23	130-135

Non Executive Members

The Chair: J R Scott	25-30	0	25-30	0	25-30
S Lawrence (3)	0-5	0	0-5	8	10-15
V Anderson (4)	35-40	0	35-40	11	45-50
N Bremner	5-10	0	5-10	0	5-10
D Drever	5-10	0	5-10	0	5-10
S Hagan	5-10	0	5-10	0	5-10
R Johnson	5-10	0	5-10	0	5-10
J Richardson	5-10	0	5-10	0	5-10
G Skuse	5-10	0	5-10	0	5-10
A Trevett	5-10	0	5-10	0	5-10

Other Senior Employees

Interim Director of Finance: R Kemp (5)	0-5	0	0-5	0	0-5
Head of HR: J Nicol	55-60	0	55-60	17	70-75

- Note 1: G O'Brien ceased being a member of the Board on 5 March 2015. Gross salary would represent an annual range of £75,000 - £80,000.
- Note 2: M Roos, Medical Director, is remunerated for his substantive role as Medical Director as well as receiving remuneration in relation to his secondary role as a Consultant Orthopaedic Surgeon. Salary for his role as a Medical Director is in the range of £135,000 - £140,000.
- Note 3: The remuneration disclosed for Suzanne Lawrence comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a radiographer. The remuneration for her role as a Non Executive director is in the range £0 - £5,000 to 30 April 2014.
- Note 4: V Anderson commenced as Employee Director on the 1 May 2014. The remuneration disclosed comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a School Health Nurse. The remuneration for her role as a Non Executive director is in the range £0 - £5,000 to 30 April 2014.
- Note 5: Robert Kemp commenced as part-time Interim Director of Finance from 12 March 2015; he was an independent contractor and not an employee of NHS Orkney.

PENSION TABLE

FOR THE YEAR ENDED 31 MARCH 2016

	Total accrued pension at pensionable age at 31 March (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Accrued Lump Sum as at age 60 at 31 March 2016 (Bands of £5,000)	Real Increase in Lump Sum at age 60 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2016 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2015 £'000	Real increase in CETV in year £'000
Chief Executive: C Cowan	40-45	0-2.5	125-130	2.5-5	843	793	36
Director of Nursing, AHPs & Midwifery : E Peace	20-25	2.5-5	75-80	5-7.5	503	449	45
Director of Finance: H Robertson (from 31 August 2015)	0-5	0-2.5	0	0	10	0	10
Medical Director: M Roos	30-35	0-2.5	100-105	5-7.5	795	763	11
Director of Public Health: Dr L Wilson	40-45	7.5-10	125-130	22.5-25	847	666	153
Non Executive Director: V Anderson (to 25 March 2016)	5-10	0-2.5	25-30	0-2.5	218	195	20
Head of HR: J Nicol	10-15	0-2.5	30-35	2.5-5	184	171	13
						Total	288

FOR THE YEAR ENDED 31 MARCH 2015

	Total accrued pension at pensionable age at 31 March (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Accrued Lump Sum as at age 60 at 31 March 2015 (Bands of £5,000)	Real Increase in Lump Sum at age 60 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2015 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2014 £'000	Real increase in CETV in year £'000
Chief Executive: C Cowan	40-45	0-2.5	120-125	0-2.5	785	740	22
Director of Finance: G O'Brien	25-30	0-2.5	75-80	0-2.5	471	449	7
Director of Nursing, AHPs & Midwifery : E Peace	20-25	2.5-5	65-70	7.5-10	445	379	53
Medical Director: M Roos	30-35	0-2.5	95-100	2.5-5	752	713	10
Director of Public Health: Dr L Wilson	35-40	0-2.5	105-110	5-7.5	677	601	32
Non Executive Director: S Lawrence (to 30 April 2014)	5-10	0-2.5	15-20	0-2.5	127	112	10
Non Executive Director: V Anderson (from 1 May 2014)	5-10	0-2.5	25-30	0-2.5	193	175	15
Head of HR: J Nicol	10-15	0-2.5	30-35	2.5-5	171	148	18
						Total	167

Note 1: The remuneration disclosed for Suzanne Lawrence comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a radiographer. The remuneration for her role as a Non Executive Director is in the range £5,000 - £10,000.

Note 2: V Anderson commenced as Employee Director on 1 May 2014. The remuneration disclosed comprises remuneration for her role as a Non Executive Director and her remuneration for her substantive post as a School Health Nurse.

Additional Disclosure Required

2015/16		2014/15	
Highest Earning Director's Total Remuneration (£000s)	160-165	Highest Earning Director's Total Remuneration (£000s)	160-165
Median Total Remuneration	£24,297	Median Total Remuneration	£29,258
Ratio	6.66	Ratio	5.48
Commentary			
The values above are based on salaries for full time equivalent pay.			
2015/16 median is lower due to a high number of vacant consultant posts which has reduced the number of higher paid earners resulting in the median remuneration value being lower.			

b) STAFF REPORT

1) Staff numbers

2014/15 WTE ANNUAL MEAN	2014/15 HEADCOUNT ANNUAL MEAN	STAFF NUMBERS (EMPLOYEES BY WHOLE TIME EQUIVALENT)	2015/16 WTE ANNUAL MEAN	2015/16 HEADCOUNT ANNUAL MEAN
13.5	14	Administration Costs	13.6	15
424.8	507	Hospital and Community Services	446.2	512
12.5	16	Non Clinical Services	13.3	16
57.9	62	Other, including recharge Trading Accounts	54.4	68
3.1		Inward secondees	0	
7.4		Agency staff	12.1	
519.2	599	Board Total Average Staff	539.6	611
5.4	7	Disabled staff	5.4	5
		The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure was:		
6.4	13		9.9	13

Headcount does not include Agency Staff and Inward Secondees as this level of data cannot be separately identified by the finance and HR information systems

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are in note 24.

2) Staff composition

	As at 31 March 2015			As at 31 March 2016		
	Male	Female	Total	Male	Female	Total
Executive Directors	1	3	4	1	4	5
Non-Executive Directors and Employee Director	6	3	9	6	3	9
Senior Employees	34	24	58	33	20	53
Other	68	462	530	76	485	561
Total Head Count	109	492	601	116	512	628

3) Sickness absence data

	2014/15	2015/16
Sickness absence data	4%	5%

4) Staff Policies applied during the financial year relating to the employment of disabled persons

- For giving full and fair consideration to applications for employment by the Board made by disabled persons, having a regard to their particular aptitudes and abilities
- For continuing the employment of, and for arranging appropriate training for, employees of the Board who have become disabled persons during the period when they were employed by the Board;

Otherwise for the training, career development and promotion of disabled persons employed by the Board

The disability policy can be found at the [NHS Orkney website](#).

5) Expenditure on consultancy

	2014/15 £'000	2015/16 £'000
Consultants for the hospital and healthcare facility project	671	591

6) Off payroll engagements as defined in PES guidance

NHS Orkney has not entered into any off payroll engagements lasting longer than 6 months in 2014/15 or 2015/16.

7) Exit packages

There were no compulsory redundancies in 2015/16 or 2014/15.

2015/16

Exit package cost band	Number of other departures agreed	Cost of exit packages
£50,000- £100,000	2	130
£100,000- £150,000	1	102
Total exit packages	3	232

2014/15

Exit package cost band	Number of other departures agreed	Cost of exit packages
£50,000- £100,000	1	52
Total exit packages	1	52

Signed

Date 23 June 2016

Catherine Cowan
Chief Executive (and Accountable Officer)

INDEPENDENT AUDITOR'S REPORT

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

I have audited the financial statements of Orkney Health Board and its group for the year ended 31 March 2016 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Consolidated Balance Sheet, the Statement of Consolidated Cash Flows, the Statement of Consolidated Changes in Taxpayers' Equity and 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, I 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. My 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 me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am 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 circumstances of the board and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of affairs of the board and its group as at 31 March 2016 and of their 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 my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other prescribed matters

In my 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 I am required to report by exception

I am required to report to you if, in my 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
- I have not received all the information and explanations I require for my 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.

I have nothing to report in respect of these matters.

Stephen Boyle CPFA

Assistant Director
Audit Scotland
4th floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
GLASGOW
G2 1BT
23 June 2016

NHS Orkney

**STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2016**

2014/15 £'000	Note	2015/16 £'000
Clinical Services Costs		
43,293	Hospital and Community 4	35,802
490	Less: Hospital and Community Income 8	516
42,803		35,286
12,490	Family Health 5	12,710
499	Less: Family Health Income 8	394
11,991		12,316
54,794	Total Clinical Services Costs	47,602
1,117	Administration Costs 6	1,151
0	Less: Administration Income 8	0
1,117		1,151
3,413	Other Non Clinical Services 7	3,510
732	Less: Other Operating Income 8	810
2,681		2,700
58,592	Net Operating Costs	51,453

OTHER COMPREHENSIVE NET EXPENDITURE

2014/15 £'000		2015/16 £'000
(104)	Net (gain) on revaluation of Property Plant and Equipment	(104)
(64)	Net (gain) on revaluation of Available for Sale Financial Assets	29
(168)	Other Comprehensive Expenditure	(75)
58,424	Total Comprehensive Expenditure	51,378

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

**SUMMARY OF RESOURCE OUTTURN
FOR THE YEAR ENDED 31 MARCH 2016**

**SUMMARY OF CORE REVENUE
RESOURCE OUTTURN**

2015/16
£'000

Net Operating Costs	51,453
Total Non Core Expenditure (see below)	(1,015)
FHS Non Discretionary Allocation	(1,362)
Donated Assets Income	0
Endowment Net Income	27
Total Core Expenditure	49,103
Core Revenue Resource Limit	49,264
Saving/(excess) against Core Revenue Resource Limit	161

**SUMMARY OF NON CORE REVENUE
RESOURCE OUTTURN**

Depreciation/Amortisation	1,122
Annually Managed Expenditure - Provisions	(130)
Annually Managed Expenditure - Depreciation of Donated Assets	23
Total Non Core Expenditure	1,015
Non Core Revenue Resource Limit	1,026
Saving/(excess) against Non Core Revenue Resource Limit	11

SUMMARY RESOURCE OUTTURN

	Resource £'000	Expenditure £'000	Saving/(Excess) £'000
Core	49,264	49,103	161
Non Core	1,026	1,015	11
Total	50,290	50,118	172

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2016

31 March 2015		Note	31 March 2016	
Consolidated £'000	Board £'000		Consolidated £'000	Board £'000
Restated	Restated			
9,242	9,242	Property, plant and equipment	10,840	10,840
111	111	Intangible assets	95	95
		Financial assets:		
		Available for sale financial assets	893	0
937	0	Trade and other receivables	20	20
4	4			
10,294	9,357	Total non-current assets	11,848	10,955
		Current Assets:		
444	444	Inventories	435	435
		Financial assets:		
898	897	Trade and other receivables	653	616
1,407	1,336	Cash and cash equivalents	425	348
93	93	Assets classified as held for sale	0	0
2,842	2,770	Total current assets	1,513	1,399
13,136	12,127	Total assets	13,361	12,354
		Current liabilities		
(372)	(372)	Provisions	(264)	(264)
		Financial liabilities:		
(5,641)	(5,639)	Trade and other payables	(4,339)	(4,337)
(6,013)	(6,011)	Total current liabilities	(4,603)	(4,601)
		Non-current assets plus/less net current assets/liabilities	8,758	7,753
7,123	6,116	Non-current liabilities		
(782)	(782)	Provisions	(758)	(758)
(782)	(782)	Total non-current liabilities	(758)	(758)
6,341	5,334	Assets less liabilities	8,000	6,995
		Taxpayers' Equity		
4,817	4,817	General fund	6,401	6,401
517	517	Revaluation reserve	594	594
1,007	0	Funds held on Trust	1,005	0
6,341	5,334	Total taxpayers' equity	8,000	6,995

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

Adopted by the board on 23 June 2016

.....Director of FinanceChief Executive

STATEMENT OF CONSOLIDATED CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2016

2014/15		2015/16	
£'000		£'000	£'000
	Cash flows from operating activities		
(58,592)	Net operating cost	(51,453)	
9,583	Adjustments for non-cash transactions	1,156	
157	(Increase) / decrease in trade and other receivables	229	
19	(Increase) / decrease in inventories	9	
144	Increase / (decrease) in trade and other payables	(567)	
(118)	Increase / (decrease) in provisions	(132)	
(48,807)	Net cash outflow from operating activities	32	(50,758)
	Cash flows from investing activities		
(3,561)	Purchase of property, plant and equipment	(2,353)	
(19)	Purchase of intangible assets	(23)	
(81)	Investment Additions	(97)	
163	Proceeds of disposal of property, plant and equipment	112	
23	Receipts from sale of investments	101	
(3,475)	Net cash outflow from investing activities	32	(2,260)
	Cash flows from financing activities		
52,201	Funding	53,037	
891	Movement in general fund working capital	(1,012)	
53,092	Cash drawn down	52,025	
53,092	Net Financing	32	52,025
	Net Increase / (decrease) in cash and cash equivalents in the period		(982)
813	Cash and cash equivalents at the beginning of the period		1,407
594	Cash and cash equivalents at the end of the period		425
1,407			
	Reconciliation of net cash flow to movement in net debt/cash		
813	Increase/(decrease) in cash in year		(982)
594	Net debt/cash at 1 April		1,407
1,407	Net debt/cash at 31 March		425

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

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	Note	General Fund £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2015		4,817	528	1,007	6,352
Prior year adjustments for changes in accounting policy and material errors	25	0	(11)		(11)
Restated balance at 1 April 2015		4,817	517	1,007	6,341
Changes in taxpayers' equity for 2015-16					
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	0	104		104
Net gain/(loss) on revaluation of available for sale financial assets	14		0	(29)	(29)
Transfers between reserves		27	(27)		0
Net operating cost for the year		(51,480)		27	(51,453)
Total recognised income and expense for 2015-16		(51,453)	77	(2)	(51,378)
Funding:					
Drawn down		52,025			52,025
Movement in General Fund (Creditor) / Debtor	cfs	1,012			1,012
Balance at 31 March 2016	BS	6,401	594	1,005	8,000

FOR THE YEAR ENDED 31 MARCH 2015

Balance at 31 March 2014		8,909	2,700	966	12,575
Prior year adjustments for changes in accounting policy and material errors	25	0	0		0
Restated balance at 1 April 2014		8,909	2,700	966	12,575
Changes in taxpayers' equity for 2014-15					
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	0	104		104
Net gain/(loss) on revaluation of available for sale financial assets	14		0	64	64
Impairment of property, plant and equipment	11		(8,332)		(8,332)
Revaluation & impairments taken to operating costs	3		8,332		8,332
Transfers between reserves		2,276	(2,276)		0
Net operating cost for the year		(58,569)		(23)	(58,592)
Total recognised income and expense for 2014-15		(56,293)	(2,172)	41	(58,424)
Funding:					
Drawn down		53,092			53,092
Movement in General Fund (Creditor) / Debtor	cfs	(891)			(891)
Balance at 31 March 2015	BS	4,817	528	1,007	6,352

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

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1. Authority

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in section 30 below:

Disclosure of New Accounting Standards

(a) New standards in 2015/16:

IFRS 13 – Fair value measurement. This is applied to assets that are not held for their service potential and any surplus operational assets without any restrictions on disposal preventing access to the market. The standard defines fair value and disclosure requirements.

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

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

2. Basis of Consolidation

Consolidation

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

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

The Orkney Health Board Endowment Funds is a Registered Charity with the Office of the Charity Regulator of Scotland (OSCR) and is required to prepare and submit Audited Financial Statements to OSCR on an annual basis. The basis of consolidation used is Merger Accounting. Any intragroup transactions between the Board and the Endowment Fund have been eliminated on consolidation.

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

3. Prior Year Adjustments

2014/15 has been restated to bring the fixed asset system balances in line with the financial system by £11,000.

The principal financial statements which have been restated are as follows:

- Consolidated Balance Sheet
- Statement of Consolidated Changes in Taxpayers Equity

4. Going Concern

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

5. Accounting Convention

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

6. Funding

Most of the expenditure of the NHS Orkney 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 (RRL) is credited to the general fund.

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

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

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

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

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

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

7. Property, plant and equipment

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

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

7.1 Recognition

Property, Plant and Equipment is capitalised where: it is held for use in delivering services or for administrative purposes; it is probable that future economic benefits will flow to, or service potential be provided to, NHS Orkney; 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, NHS Orkney has the option to capitalise initial revenue equipment costs with a standard life of 10 years
- 3) Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

7.2 Measurement

Valuation:

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

All assets are measured subsequently at fair value as follows:

- Specialised NHS Land, buildings, equipment, installations and fittings are stated at depreciated replacement cost, as a proxy for fair value as specified in the FReM.
- Non specialised land and buildings, such as offices, are stated at fair value.
- Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.
- Non specialised equipment, installations and fittings are valued at fair value. NHS Bodies value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).

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

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

- Specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only.
- Subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to NHS Orkney and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria the expenditure is charged to the Statement of Consolidated 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 Consolidated 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 Consolidated Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.
- Gains and losses on revaluation are reported in the Statement of Consolidated Comprehensive Net Expenditure.

7.3 Depreciation

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

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

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

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life (years)
Office, short life medical and IT Equipment	5
Vehicles and soft furnishings	7
Mainframe IT installations	8
Medium life medical equipment	10
Engineering plant and long life medical equipment	15
Building Structure	15 - 50
Building Engineering	15
External Plant	15

8. Intangible Assets

8.1 Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of NHS Orkney'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, NHS Orkney 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 NHS Orkney's activities for more than one year and they have a cost of at least £5,000.

The main classes of intangible assets recognised are:

Software:

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

Software licences:

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

8.2 Measurement

Valuation:

- Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.
- Subsequently intangible assets are measured at fair value. Where an active (homogeneous) market exists, intangible assets are carried at fair value. Where no active market exists, the intangible asset is revalued, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

Revaluation and impairment:

- Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Consolidated 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 Consolidated Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.
- Temporary decreases in asset values or impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to the Statement of Comprehensive Net Expenditure.

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

8.3 Amortisation

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

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

- 1) Software. Amortised over their expected useful life
- 2) Software licences. Amortised over the shorter term of the licence and their useful economic lives.
- 3) Other intangible assets. Amortised over their expected useful life.
- 4) Intangible assets which has been reclassified as 'Held for Sale' ceases to be amortised upon the reclassification.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
Software	5

9. Non-current assets held for sale

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

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

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

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

10. Donated Assets

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

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

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

12. Leasing

Operating leases

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

Leases of land and buildings

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

13. Impairment of non-financial assets

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

14. General Fund Receivables and Payables

Where NHS Orkney 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 Scottish Government. Where NHS Orkney 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 Scottish Government.

15. Inventories

Inventories are valued at the lower of cost and net realisable value. Taking into account the high turnover of NHS inventories, the use of average purchase price is deemed to represent current cost.

16. Losses and Special Payments

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

17. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

NHS Orkney 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. NHS Orkney 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 Consolidated Comprehensive Net Expenditure represents NHS Orkney's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

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

18. Clinical and Medical Negligence Costs

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

NHS Orkney 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.

NHS Orkney 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 NHSScotland 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.

19. Related Party Transactions

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

20. Value Added Tax

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

21. NPD Schemes

NHS Orkney has a Non Profit Distributing (NPD) scheme which is agreed with the Scottish Government for completion in 2018/19.

22. Provisions

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

23. Contingencies

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

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

- Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

-
- Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

24. Corresponding Amounts

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

25. Financial Instruments

Financial assets

Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

Recognition and measurement

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity in other reserves. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of Consolidated Comprehensive Net Expenditure. Dividends on available-for-sale equity instruments are recognised in the Statement of Consolidated 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 Consolidated Comprehensive Net Expenditure. Impairment losses recognised in the Statement of Consolidated 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.

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

Recognition and measurement

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

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

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

26. Segmental reporting

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

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

27. Cash and cash equivalents

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

28. Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

29. Third party assets

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

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

30. Key sources of judgement and estimation uncertainty

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

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

- Estimates: Assumptions regarding estimated impairment
- Estimates: Assumptions underlying the likelihood and outcome of material provisions.
- Estimates: Assumptions around fixed asset lives.
- Estimates: Actuarial assumptions in respect of post-employment benefits.
- Judgment: Whether substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities.

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

2(a). Staff Numbers and Costs

2014/15		2015/16				
Total £'000	STAFF COSTS	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Other Staff £'000	Total £'000
19,042	Salaries and wages	481	106	18,957		19,544
1,544	Social security costs	61	2	1,514		1,577
2,181	NHS scheme employers' costs	73		2,401		2,474
206	Inward secondees					0
762	Agency staff				1,302	1,302
23,735		615	108	22,872	1,302	24,897
0	Compensation for loss of office or early retirement	0	0	0	0	0
23,735	TOTAL	615	108	22,872	1,302	24,897

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure for 2015/16 is £670,000 (2014/15 £420,000).

2(b). Higher Paid Employees Remuneration

Other employees whose remuneration fell within the following ranges:

2014/15 Number		2015/16 Number
	Clinicians	
14	£50,001 to £60,000	16
4	£60,001 to £70,000	7
6	£70,001 to £80,000	3
6	£80,001 to £90,000	4
2	£90,001 to £100,000	2
3	£100,001 to £110,000	
4	£110,001 to £120,000	
1	£120,001 to £130,000	5
5	£130,001 to £140,000	
1	£140,001 to £150,000	3
	£150,001 to £160,000	1
1	£160,001 to £170,000	1
	£170,001 to £180,000	1
	£190,001 to £200,000	
1	£200,000 and above	1
	Other	
2	£50,001 to £60,000	2
1	£60,001 to £70,000	2
3	£70,001 to £80,000	2
1	£100,001 to £110,000	1

3. Other Operating Costs

2014/15 £'000		2015/16 £'000	Note
	Expenditure Not Paid In Cash		
1,226	Depreciation	1,094	11
46	Amortisation	39	10
31	Depreciation Donated Assets	23	11b
8,332	Impairments on PPE charged to SOCNE	0	11
0	Funding Of Donated Assets	0	11b
(52)	Loss/(Profit) on disposal of property, plant and equipment	0	
9,583	Total Expenditure Not Paid In Cash	1,156	CFS

Statutory Audit

69	External auditor's remuneration and expenses	70
----	--	----

4. Hospital and Community Health Services (HCH)

2014/15 £'000		2015/16 £'000	Note
	BY PROVIDER		
33,752	Treatment in Board area of NHS Scotland Patients	26,482	
6,922	Other NHS Scotland Bodies	6,531	
27	Health Bodies outside Scotland	31	
52	Primary care bodies	1	
416	Private sector	330	
	Community Care		
4	Support Finance	3	
1,927	Resource Transfer	2,263	
70	Contributions to Voluntary Bodies and Charities	73	
43,170	Total NHS Scotland Patients	35,714	
123	Treatment of UK residents based outside Scotland	88	
43,293	Total Hospital & Community Health Service	35,802	SOCNE

The movement on Primary care bodies from £52,000 in 2014/15 to £1,000 in 2015/16 is due to the Stromness surgery diving medical contract ceasing.

5. Family Health Service Expenditure (FHS)

2014/15 Total £'000		Unified Budget £'000	Non Disc £'000	2015/16 Total £'000	Note
5,307	Primary Medical Services	5,357	0	5,357	
4,223	Pharmaceutical Services	3,696	577	4,273	
2,715	General Dental Services	2,042	763	2,805	
245	General Ophthalmic Services	0	275	275	
12,490	Total	11,095	1,615	12,710	SOCNE

6. Administration Costs

2014/15 £'000		2015/16 £'000	Note
732	Board members' remuneration	723	Note 2 (a)
80	Administration of Board Meetings and Committees	85	
209	Corporate Governance and Statutory Reporting	226	
65	Health Planning, Commissioning and Performance Reporting	74	
9	Treasury Management and Financial Planning	20	
22	Public Relations	23	
1,117	Total administration costs	1,151	SOCNE

7. Other Non Clinical Services

2014/15 £'000		2015/16 £'000	Note
73	Compensation payments - Clinical	69	
79	Compensation payments - Other	22	
46	Pension enhancement & redundancy	27	
6	Patients' Travel Attending Hospitals	2	
2,351	Patients' Travel Highlands and Islands scheme	2,514	
671	Health Promotion	691	
121	Public Health	117	
3	Emergency Planning	3	
63	Endowment Expenditure	65	
3,413	Total Other Non Clinical Services	3,510	SOCNE

Pension enhancement and redundancy values includes Payment in Lieu of Notice in addition to redundancy.

8. Operating Income

2014/15 £'000		2015/16 £'000	Note
	Hospital and Community Health Services Income		
	NHSScotland Bodies		
291	Boards	376	
123	NHS Non-Scottish Bodies	88	
	Non NHS		
24	Private Patients	26	
51	Compensation Income	25	
1	Other Hospital and Community Health Services income	1	
490	Total Hospital and Community Health Services Income	516	SOCNE
	Family Health Service Income		
219	Unified	141	
	Non Discretionary		
280	General Dental Services	253	
499	Total Family Health Services Income	394	SOCNE
	Other Operating Income		
135	NHS Scotland Bodies	118	
0	SGHSCD	50	
0	Contributions in respect of clinical and medical negligence claims	0	
65	Profit on disposal of non current assets	23	
40	Endowment Income	92	
492	Other	527	
732	Total Other Operating Income	810	SOCNE
1,721	Total Income	1,720	
549	Of the above, the amount derived from NHS bodies is	582	

9. Analysis of Capital Expenditure

2014/15 £'000		2015/16 £'000	Note
	EXPENDITURE		
19	Acquisition of Intangible Assets	23	10
3,628	Acquisition of Property, plant and equipment	2,630	11
3,647	Gross Capital Expenditure	2,653	
	INCOME		
17	Net book value of disposal of Property, plant and equipment	19	11a
94	Value of disposal of Non-Current Assets held for sale	93	11c
111	Capital Income	112	

3,536	Net Capital Expenditure	2,541
--------------	--------------------------------	--------------

SUMMARY OF CAPITAL RESOURCE OUTTURN

3,536	Core capital expenditure included above	2,541
3,550	Core Capital Resource Limit	2,688
14	Saving/(excess) against Core Capital Resource Limit	147
3,536	Total Capital Expenditure	2,541
3,550	Total Capital Resource Limit	2,688

14	Saving/(excess) against Total Capital Resource Limit	147
-----------	---	------------

10. Intangible Assets

Movements in 2015/16	Software Licences £'000
Cost or Valuation:	
As at 1st April 2015	888
Additions	23
At 31st March 2016	911
Amortisation	
As at 1st April 2015	777
Provided during the year	39
At 31st March 2016	816
Net Book Value at 1st April 2015	111
Net Book Value at 31 March 2016 BS	95

Movements in 2014/15	Software Licences £'000
Cost or Valuation:	
As at 1st April 2014	869
Additions	19
At 31st March 2015	888
Amortisation	
As at 1st April 2014	731
Provided during the year	46
At 31st March 2015	777
Net Book Value at 1st April 2014	138
Net Book Value at 31 March 2015 BS	111

11(a). Property, Plant and Equipment – Purchased Assets

Current Year Purchased Assets

Movements in 2015/16	Land (including underlying buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2015	1,836	4,103	481	364	5,956	2,839	203	1,152	16,934
Additions	0	0	0	62	231	70	0	2,267	2,630
Completions	0	0	0	0	35	196	0	(231)	0
Revaluation	0	109	5	0	0	0	0	0	114
Disposals	0	(22)	0	0	0	(58)	0	0	(80)
At 31 March 2016	1,836	4,190	486	426	6,222	3,047	203	3,188	19,598
Depreciation									
At 1 April 2015	0	111	42	263	4,561	2,606	161	0	7,744
Provided during the year	0	581	29	38	358	81	7	0	1,094
Revaluation	0	9	1	0	0	0	0	0	10
Disposals	0	(3)	0	0	0	(58)	0	0	(61)
At 31 March 2016	0	698	72	301	4,919	2,629	168	0	8,787
Net book value at 1 April 2015	1,836	3,992	439	101	1,395	233	42	1,152	9,190
Net book value at 31 March 2016 BS	1,836	3,492	414	125	1,303	418	35	3,188	10,811

Open Market Value of Land in Land and Dwellings Included Above	1,836	414
---	--------------	------------

Asset financing:

Owned	1,836	3,492	414	125	1,303	418	35	3,188	10,811
Net book value at 31 March 2016	1,836	3,492	414	125	1,303	418	35	3,188	10,811

Prior year Purchased Assets

Movements in 2014/15	Land (including underlying buildings) £'000	Restated Buildings (excluding dwellings) £'000	restated Dwellings £'000	Transport Equipment £'000	restated Plant & Machinery £'000	restated Information Technology £'000	restated Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2014	744	12,023	476	364	5,571	2,789	203	97	22,267
Additions	1,319	0	0	0	114	0	0	2,195	3,628
Completions	0	618	0	0	469	53	0	(1,140)	0
Revaluation	0	105	5	0	0	0	0	0	110
Impairment Charge	(227)	(8,642)	0	0	(167)	(3)	0	0	(9,039)
Disposals	0	(1)	0	0	(31)	0	0	0	(32)
At 31 March 2015	1,836	4,103	481	364	5,956	2,839	203	1,152	16,934
Depreciation									
At 1 April 2014	0	229	13	219	4,267	2,429	151	0	7,308
Provided during the year	0	561	28	44	404	179	10	0	1,226
Revaluation	0	5	1	0	0	0	0	0	6
Impairment Charge	0	(684)	0	0	(95)	(2)	0	0	(781)
Disposals	0	0	0	0	(15)	0	0	0	(15)
At 31 March 2015	0	111	42	263	4,561	2,606	161	0	7,744
Net book value at 1 April 2014	744	11,794	463	145	1,304	360	52	97	14,959
Net book value at 31 March 2015 BS	1,836	3,992	439	101	1,395	233	42	1,152	9,190

Open Market Value of Land in Land and Dwellings Included Above	1,836	439
---	--------------	------------

Asset financing:

Owned	1,836	3,992	439	101	1,395	233	42	1,152	9,190
Net book value at 31 March 2015	1,836	3,992	439	101	1,395	233	42	1,152	9,190

11(b). Property, Plant and Equipment (Donated Assets)

Movements in 2015/16	Buildings (excluding dwellings) £'000	Plant & Machinery £'000	Information Technology £'000	Total £'000
Cost or valuation				
At 1 April 2015	16	209	48	273
At 31 March 2016	16	209	48	273
Depreciation				
At 1 April 2015	0	186	35	221
Provided during the year	5	13	5	23
At 31 March 2016	5	199	40	244
Net book value at 1 April 2015	16	23	13	52
Net book value at 31 March 2016 BS	11	10	8	29

Asset financing:

Owned	11	10	8	29
Net Book Value at 31 March 2016	11	10	8	29

Movements in 2014/15	Buildings (excluding dwellings) £'000	Plant & Machinery £'000	Information Technology £'000	Total £'000
Cost or valuation				
At 1 April 2014	107	209	48	364
Impairment Charge	(91)	0	0	(91)
At 31 March 2015	16	209	48	273
Depreciation				
At 1 April 2014	9	173	25	207
Provided during the year	8	13	10	31
Impairment Charge	(17)	0	0	(17)
At 31 March 2015	0	186	35	221
Net book value at 1 April 2014	98	36	23	157
Net book value at 31 March 2015 BS	16	23	13	52

Asset financing:

Owned	16	23	13	52
Net Book Value at 31 March 2015	16	23	13	52

11(c). Assets Held for Sale

The following assets related to NHS Orkney have been presented as held for sale following the approval by NHS Orkney Board:

Brinian House, Rousay

The completion date for the sale was 24 March 2016.

Movements in 2015/16	Property, Plant & Equipment £'000
At 1 April 2015	93
Disposals for non-current assets held for sale	(93)
As at 31 March 2016 BS	0

Movements in 2014/15	Property, Plant & Equipment £'000
At 1 April 2014	187
Disposals for non-current assets held for sale	(94)
As at 31 March 2015 BS	93

11(d). Property, Plant and Equipment Disclosures

Restated		2015/16 £'000	Note
2014/15 £'000			
	Net book value of property, plant and equipment at 31 March		
9,190	Purchased	10,811	11a
52	Donated	29	11b
9,242	Total	10,840	BS

1,836	Net book value related to land valued at open market value at 31 March	1,836
-------	--	-------

532	Net book value related to buildings valued at open market value at 31 March	414
-----	---	-----

12. Inventories

2014/15 £'000		2015/16 £'000
444	Raw Materials and Consumables	435
444	Total Inventories BS	435

13. Trade and Other Receivables

Consolidated 2014/15 £'000	Board 2014/15 £'000		Consolidated 2015/16 £'000	Board 2015/16 £'000	Note
		Receivables due within one year			
		NHS Scotland			
1	1	SGHSCD	0	0	
120	120	Boards	81	81	
121	121	Total NHS Scotland Receivables	81	81	
32	32	NHS Non-Scottish Bodies	22	22	
51	51	VAT recoverable	73	73	
197	197	Prepayments	228	228	
191	191	Other Receivables	60	60	
		Reimbursement of provisions	25	25	
305	305	Other Public Sector Bodies	127	127	
1	0	Endowments consolidation	37		
898	897	Total Receivables due within one year	653	616	B S
		Receivables due after more than one year			
		NHS Scotland			
4	4	Prepayments	20	20	
4	4	Total Receivables due after more than one year	20	20	B S
902	901	TOTAL RECEIVABLES	673	636	
12	12	The total receivables figure above includes a provision for impairments of :	8	8	
		WGA Classification			
120	120	NHS Scotland	81	81	
52	52	Central Government Bodies	0	0	
48	48	Whole of Government Bodies	9	9	
32	32	Balances with NHS Bodies in England and Wales	22	22	
650	649	Balances with bodies external to Government	561	524	
902	901	Total	673	636	

2014/15 £'000	2014/15 £'000	Movements on the provision for impairment of receivables are as follows:	2015/16 £'000	2015/16 £'000
7	7	At 1 April	12	12
8	8	Provision for impairment	0	0
(3)	(3)	Receivables written off during the year as uncollectible	0	0
0	0	Unused amounts reversed	(4)	(4)
12	12	At 31 March	8	8

As of 31 March 2016, receivables with a carrying value of £0 (2015: £8,265) were impaired and provided for. The amount of the provision was £7,999 (2015: £12,000). The aging of these receivables is as follows:

2014/15 £'000		2015/16 £'000
0	3 to 6 months past due	0
12	Over 6 months past due	8
12		8

The receivables assessed as individually impaired overseas patients and it was assessed that not all of the receivable balance may be recovered.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2016, receivables with a carrying value of £644,000 (2015: £913,000) were past their due date but not impaired. The aging of receivables which are past due but not impaired is as follows:

Consolidated 2014/15	Board 2014/15		Consolidated 2015/16	Board 2015/16
884	883	Up to 3 months past due	646	609
10	10	3 to 6 months past due	20	20
8	8	Over 6 months past due	7	7
902	901		673	636

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

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

All carrying amounts of receivables are denominated in pounds sterling and the carrying value of both short term and long term receivables is approximate to their fair value.

14. Available for Sale Financial Assets

2014/15 £'000		2015/16 £'000	Note
63	Government securities	63	
874	Other	830	
937	TOTAL	893	B S
818	At 1 April	937	
80	Additions	97	
(23)	Disposals	(112)	
62	Revaluation surplus/(deficit) transferred to equity	(29)	
937	At 31 March	893	
937	Non-current	893	B S
937	At 31 March	893	
0	The carrying value includes an impairment provision of	0	

All the transactions relate to the endowment funds.

15. Cash and Cash Equivalents

Movements in 2015/16	At 01/04/15 £'000	Cash Flow £'000	At 31/03/16 £'000	Note
Government Banking Service account balance	1,309	(985)	324	B S 16
Cash at bank and in hand	27	(3)	24	
Endowment Cash	71	6	77	
Total cash and cash equivalents - balance sheet	1,407	(982)	425	
Overdrafts	0	0	0	
Total cash - cash flow statement	1,407	(982)	425	

[CFS](#)

[CFS](#)

Movements in 2014/15	At 01/04/14 £'000	Cash Flow £'000	At 31/03/15 £'000	Note
Government Banking Service account balance	424	885	1,309	B S 16
Cash at bank and in hand	21	6	27	
Endowment Cash	149	(78)	71	
Total cash and cash equivalents - balance sheet	594	813	1,407	
Overdrafts	0	0	0	
Total cash - cash flow statement	594	813	1,407	

[CFS](#)

[CFS](#)

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

16. Trade and Other Payables

Consolidated 2014/15 £'000	Board 2014/15 £'000		Consolidated 2015/16 £'000	Board 2015/16 £'000	Note
		Payables due within one year			
		NHS Scotland			
1,126	1,126	Boards	979	979	
1,126	1,126	Total NHS Scotland Payables	979	979	
4	4	NHS Non-Scottish Bodies	8	8	
1,336	1,336	Amounts Payable to General Fund	324	324	
662	662	FHS Practitioners	601	601	
474	474	Trade Payables	748	748	
899	899	Accruals	694	694	
474	474	Income tax and social security	455	455	
335	335	Superannuation	352	352	
92	92	Holiday Pay Accrual	106	106	
234	234	Other Public Sector Bodies	69	69	
3	3	Other payables	1	1	
2	0	Endowments Consolidation	2	0	
5,641	5,639	Total Payables due within one year	4,339	4,337	BS
5,641	5,639	TOTAL PAYABLES	4,339	4,337	

WGA Classification

1,126	1,126	NHS Scotland	979	979	
809	809	Central Government Bodies	868	868	
234	234	Whole of Government Bodies	69	69	
4	4	Balances with NHS Bodies in England and Wales	8	8	
3,468	3,466	Balances with bodies external to Government	2,415	2,413	
5,641	5,639	Total	4,339	4,337	

All carrying amounts of payables are denominated in pounds sterling

17. Provisions

Movements in 2015/16	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000
At 1 April 2015	413	0	485	256	1,154
Arising during the year	0	50	147	37	234
Utilised during the year	(54)	0	(46)	0	(100)
Unwinding of Discount	0	0	(1)	0	(1)
Reversed unutilised	(2)	0	(88)	(175)	(265)
At 31 March 2016	357	50	497	118	1,022

Analysis of expected timing of discounted flows to 31 March 2016

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000	Note
Payable in one year	33	50	144	37	264	B S
Payable between 2 - 5 years	324	0	196	81	601	
Payable between 6 - 10 years	0	0	18	0	18	
Thereafter	0	0	139	0	139	
At 31 March 2016	357	50	497	118	1,022	

Movements in 2014/15	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Restated Participation in CNORIS £'000	Other £'000	Total £'000
At 1 April 2014	419	0	605	248	1,272
Arising during the year	59	0		166	225
Utilised during the year	(65)	0	(120)	(71)	(256)
Reversed unutilised	0	0		(87)	(87)
At 31 March 2015	413	0	485	256	1,154

Analysis of expected timing of discounted flows - to 31 March 2015

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Restated Participation in CNORIS £'000	Other £'000	Total £'000	Note
Payable in one year	48	0	68	256	372	B S
Payable between 2 - 5 years	365	0	417	0	782	
At 31 March 2015	413	0	485	256	1,154	

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 1.37% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 38 years.

Clinical and Medical Legal Claims against NHS Board

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 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 can be extremely complex. It is expected 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.

Other

The Board has made a provision relating to two care home packages for former Orkney residents, where there is ongoing discussion with Council of ordinary residence about funding liability for these packages. It is anticipated these issues will be resolved in 2016/17.

Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

2014/15 £'000		2015/16 £'000	Note
0	Provision recognising individual claims against the NHS Board as at 31 March	50	17
0	Associated CNORIS receivable at 31 March	(25)	13
485	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	497	17
485	Net Total Provision relating to CNORIS at 31 March	522	

The Clinical Negligence and Other Risks Scheme (CNORIS) has been in operation since 2000. Participation in the scheme is mandatory for all NHS boards in Scotland. The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value of less than this are met directly from NHS Orkneys' own budget. Participants pool each financial year at a pre-agreed contribution rate based on the risks associated with each 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 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 the 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 receivables 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 NHS Scotland has been made and this is reflected in the line above.

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

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

18. Movement on working capital balances

2014/15		2015/16			Note
Net Movement £'000		Opening Balances £'000	Closing Balances £'000	Net Movement £'000	
	INVENTORIES				
19	Balance Sheet	444	435		12
19	Net Decrease/(Increase)			9	
	TRADE AND OTHER RECEIVABLES				
161	Due within one year	897	616		13
(4)	Due after more than one year	4	20		13
		901	636		
157	Net Decrease/(Increase)			265	
	TRADE AND OTHER PAYABLES				
1102	Due within one year	5,639	4,337		16
(67)	Less: Property, Plant & Equipment (Capital) included in above	(278)	(555)		
(891)	Less: General Fund Creditor included in above	(1,336)	(324)		16
		4,025	3,458		
144	Net (Decrease)/Increase			(567)	
	PROVISIONS				
(118)	Balance Sheet	1,154	1,022		17
(118)	Net (Decrease)/Increase			(132)	
202	NET MOVEMENT (Decrease)/Increase			(425)	CFS

19. Contingent Liabilities

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

2014/15 £'000	Nature	2015/16 £'000
0	Clinical and medical compensation payments	50
0	TOTAL CONTINGENT LIABILITIES	50

0	Clinical and medical compensation payments	25
0	TOTAL CONTINGENT ASSETS	25

20. Events after the end of the reporting year

There are no events after 31 March 2016 with a material effect on the accounts.

21. Capital Commitments

The board has the following capital commitments which have not been included for in the annual accounts.

2014/15 Property, plant and equipment: £'000		2015/16 Property, plant and equipment: £'000
	Contracted	
1,000	New hospital professional fees	680
0	Eday surgery and nurses	140
1,000	Total	820
	Authorised but not Contracted	
387	Eday new health centre	0
1,100	New hospital professional fees	370
1,487	Total	370

22. Commitments under leases

2014/15 £'000	Operating Leases	2015/16 £'000
	Obligations under operating leases comprise:	
	Land	
14	Not later than one year	14
14	Later than one year, not later than 2 years	14
42	Later than two year, not later than five years	42
28	Later than five years	14
	Buildings	
113	Not later than one year	126
111	Later than one year, not later than 2 years	118
334	Later than two year, not later than five years	334
624	Later than five years	513
	Other	
6	Not later than one year	6
0	Later than one year, not later than 2 years	2
0	Later than two year, not later than five years	2

Amounts charged to Operating Costs in the year were:

14	Hire of equipment (including vehicles)	12
120	Other operating leases	134
134	Total	146

There are no finance leases within NHS Orkney.

23. Commitments under PFI contracts – off balance sheet

There are no PFI contracts on or off balance sheet.

24. Pension Costs

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

NHS Orkney 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 NHS Orkney 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 was 14.9% of pensionable pay. While the employee rate applied is a variable it will provide an actuarial yield of 9.8% 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% employer's pension contributions for fifteen years from 1 April 2015. This contribution is included in the 14.9% employer's contribution rate.

NHS Orkney's level of participation in the pension scheme is 0.37% as indicated by the proportion of total contributions paid in 2014/15.

Provisions amounting to £0.357m (2014/15 £0.413m) are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Consolidated Comprehensive Net Expenditure and the amounts paid directly.

Changes to the pension scheme were implemented from 1 April 2008. Further changes were implemented from 1 April 2015, moving from a "final salary" scheme to a "career average revalued earnings" scheme. Further information on these pension scheme changes can be found on the Scottish Public Pensions Agency website www.sppa.gov.uk.

The NHS 2015 scheme is a Career Average Revalued Earnings (CARE) scheme. Most staff who were previously a member of either NHS 1995 or NHS 2008 joined automatically on 1 April 2015. A further group of members, who were approaching retirement when the NHS 2015 scheme was set up, are also joining automatically at a date dependent on their age.

2014/15 £'000		2015/16 £'000
2,411	Pension cost charge for the year	2,744
46	Additional Costs arising from early retirement	27
413	Provisions/Liabilities/Pre-payments included in the Balance Sheet	357

25. Prior year adjustments

Prior year adjustments which have been recognised in these accounts are:

		Dr. £000	Cr. £000
	Retrospective restatement		
Adjustment 1	Note 11a: Property Plant and Equipment (PPE) SOCTE: General Fund	11	11
Adjustment 2	SOCTE: General Fund SOCTE: Revaluation/impairment reserve	11	11
	The opening PPE balance for 2014/15 has been reduced by £11,000. This amount realigns the fixed asset system balances to the financial system. The adjustment is via the General fund and resulted in reducing the revaluation reserve balance by £11,000.		

26. Restated Primary Statements

This note reconciles the Balance Sheet as published for the restated 2014/15 accounts.

Restated Balance Sheet at 31 March 2015

	Published Accounts 31 March 2015 £'000	Adjustment 1 £'000	Adjustment 2 £'000	Restated Accounts 31 March 2015 £'000
Property, plant and equipment	9,253	(11)		9,242
Intangible assets	111			111
Financial assets:				
Available for sale financial assets	937			937
Trade and other receivables	4			4
	10,305	(11)		10,294
Current Assets:				
Inventories	444			444
Financial assets:				
Trade and other receivables	898			898
Cash and cash equivalents	1,407			1,407
Assets classified as held for sale	93			93
	2,842			2,842
Total assets	13,147	(11)		13,136
Current liabilities				
Provisions	(372)			(372)
Financial liabilities:				
Trade and other payables	(5,641)			(5,641)
Total current liabilities	(6,013)			(6,013)
Non-current assets plus/less net current assets/liabilities	7,134	(11)		7,123
Non-current liabilities				
Provisions	(782)			(782)
Total non-current liabilities	(782)			(782)
Assets less liabilities	6,352	(11)		6,341
Taxpayers' Equity				
General fund	4,817	(11)	11	4,817
Revaluation reserve	528		(11)	517
Funds held on Trust	1,007			1,007
Total taxpayers' equity	6,352	(11)	0	6,341

The adjusted amounts shown above are disclosed in note 25.

27(a). Financial Instruments by Category

Financial Assets	Consolidated			Board	
	Loans and Receivables £'000	Available for Sale £'000	Total £'000	Loans and Receivables £'000	Note
2015/16					
At 31 March 2016					
Assets per balance sheet					
Investments		893	893		14
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	246		246	209	13
Cash and cash equivalents	425		425	348	15
	671	893	1,564	557	

	Consolidated			Board	
	Loans and Receivables £'000	Available for Sale £'000	Total £'000	Loans and Receivables £'000	Note
2014/15					
At 31 March 2015					
Assets per balance sheet					
Investments		937	937		14
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	529		529	528	13
Cash and cash equivalents	1,407		1,407	1,336	15
	1,936	937	2,873	1,864	

Financial Liabilities	Consolidated		Board	
		Other financial liabilities £'000	Other financial liabilities £'000	Note
2015/16				
At 31 March 2016				
Liabilities per balance sheet				
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation		2,553	2,551	16
		2,553	2,551	

	Consolidated		Board	
		Other financial liabilities £'000	Other financial liabilities £'000	Note
2014/15				
At 31 March 2015				
Liabilities per balance sheet				
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation		3,706	3,704	16
		3,706	3,704	

27(b). Financial Instruments – Financial Risk Factor

Exposure to Risk

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

- i. Credit risk - the possibility that other parties might fail to pay amounts due.
- ii. Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments.
- iii. 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 and 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.

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

ii) 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 trade and other payables excluding statutory liabilities as at the 31 March 2016 was £2.551m (31 March 2015 was £3.706m).

iii) Market risk

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

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.

The NHS Board is not exposed to foreign currency risk or price risk.

28. Derivative Financial Instruments

NHS Orkney does not have any derivative financial instruments.

29. Related Party Transactions

Dr Andrew Trevett, Non Executive Director of the Board, is a General Medical Practitioner at the Stromness Practice which provided Primary Medical Services to the Board. Payments to this practice in 2015/16 totalled £571,734.28. At 31 March 16 the Board owed Stromness Surgery £4,647.72. There were no special terms attached to these debts. There were no doubtful outstanding debts or provisions.

Dr Trevett is a director of Orkney Hyperbaric Trust; NHS Orkney invoiced £2,201.47 in year which has been paid in full.

Jeremy Richardson is vice chair of Relationships Scotland. In year NHS Orkney has paid £10,500 to Relationship Scotland.

The directors of the Board are also Trustees of Orkney Health Board Endowments Fund. At 31 March 2016 there were no outstanding debts.

NHS Orkney accounted for a 50% share of the Integrated Joint Board expenditure in 2015/16 of £12,000 with Orkney Island Council.

30. Segment Information

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

	Hospital Services £'000	Pharmacy & Drugs Costs £'000	Orkney Health & Care £'000	External Commissioning £'000	Estates & Facilities £'000	Support Services £'000
2015/16 Net operating cost	10,644	5,267	15,746	9,658	2,944	4,762

2014/15 Net operating cost	10,005	5,011	15,215	9,986	2,586	5,018
-----------------------------------	--------	-------	--------	-------	-------	-------

	Dental, Ophthalmic - NCL and Pharmacy NCL £'000	Annually Managed Expenditure £'000	Depreciation £'000	Total £'000
2015/16 Net operating cost	1,442	(107)	1,122	51,478

2014/15 Net operating cost	1,218	8,264	1,289	58,592
-----------------------------------	-------	-------	-------	--------

31. Third Party Assets

Third Party Assets managed by the Board consist of balances on Patients' Private Funds Accounts. There were no third party assets held in 2015/16 or 2014/15.

32(a). Consolidated Statement of Comprehensive Net Expenditure

The Health and Social Care Integration Joint Board was established on 6 February 2016 and has incurred £24,000 of expenditure at 31 March 2016. As this is an immaterial amount the IJB accounts were not consolidated into NHS Orkney's accounts.

2014/15		2015/16			
Group £'000		Board £'000	Endowments £'000	Intra Group Adjustment £'000	Consolidated £'000
	Clinical Services Costs				
43,293	Hospital and Community	35,792	0	10	35,802
490	Less: Hospital and Community Income	516	0	0	516
42,803		35,276	0	10	35,286
12,490	Family Health	12,710	0	0	12,710
499	Less: Family Health Income	394	0	0	394
11,991		12,316	0	0	12,316
54,794	Total Clinical Services Costs	47,592	0	10	47,602
1,117	Administration Costs	1,151	0	0	1,151
1,117		1,151	0	0	1,151
3,413	Other Non Clinical Services	3,455	65	(10)	3,510
732	Less: Other Operating Income	718	92	0	810
2,681		2,737	(27)	(10)	2,700
58,592	Net Operating Costs	51,480	(27)	0	51,453

32(b). Consolidated Group Balance Sheet

2014/15		2015/16			
Group		Note	Board	Endowment	Group
£'000			£'000	£'000	£'000
Non-current assets:					
9,253	Property, plant and equipment	11	10,840		10,840
111	Intangible assets	10	95		95
Financial assets:					
937	Available for sale financial assets	14		893	893
4	Trade and other receivables	13	20		20
10,305	Total non-current assets		10,955	893	11,848
Current Assets:					
444	Inventories	12	435		435
Financial assets:					
898	Trade and other receivables	13	616	37	653
1,407	Cash and cash equivalents	15	348	77	425
93	Assets classified as held for sale	11c			
2,842	Total current assets		1,399	114	1,513
13,147	Total assets		12,354	1,007	13,361
(372)	Provisions	17	(264)		(264)
Financial liabilities:					
(5,641)	Trade and other payables	16	(4,337)	(2)	(4,339)
(6,013)	Total current liabilities		(4,601)	(2)	(4,603)
7,134	Non-current assets plus/less net current assets/liabilities		7,753	1,005	8,758
Non-current liabilities					
(782)	Provisions	17	(758)		(758)
(782)	Total non-current liabilities		(758)	0	(758)
6,352	Assets less liabilities		6,995	1,005	8,000
Taxpayers' Equity					
4,817	General fund	SOCTE	6,401		6,401
528	Revaluation reserve	SOCTE	594		594
1,007	Funds Held on Trust	SOCTE		1,005	1,005
6,352	Total taxpayers' equity		6,995	1,005	8,000

32(c). Consolidated Statement of Cash Flows

2014/15			2015/16		
Board £'000	Endowment £'000	Group £'000	Board £'000	Endowment £'000	Group £'000
(58,569)	(23)	(58,592)	(51,480)	27	(51,453)
9,583	0	9,583	1,156		1,156
157	0	157	265	(36)	229
19	0	19	9		9
144	0	144	(567)		(567)
(118)	0	(118)	(132)		(132)
(48,784)	(23)	(48,807)	(50,749)	(9)	(50,758)
(3,561)	0	(3,561)	(2,353)		(2,353)
(19)	0	(19)	(23)		(23)
0	(81)	(81)	0	(97)	(97)
163	0	163	112		112
0	23	23	0	101	101
(3,417)	(58)	(3,475)	(2,264)	4	(2,260)
52,201	0	52,201	53,037		53,037
891	0	891	(1,012)		(1,012)
53,092	0	53,092	52,025	0	52,025
53,092	0	53,092	52,025	0	52,025
891	(78)	813	(988)	6	(982)
445	149	594	1,336	71	1,407
1,336	71	1,407	348	77	425
891	(78)	813	(988)	6	(982)
445	149	594	1,336	71	1,407
1,336	71	1,407	348	77	425

Cash flows from operating activities

Net operating cost
Adjustments for non-cash transactions (Increase) / decrease in trade and other receivables
(Increase) / decrease in inventories
Increase / (decrease) in trade and other payables
Increase / (decrease) in provisions

Net cash outflow from operating activities**Cash flows from investing activities**

Purchase of property, plant and equipment
Purchase of intangible assets
Investment Additions
Proceeds of disposal of property, plant and equipment
Receipts from sale of investments

Net cash outflow from investing activities**Cash flows from financing activities**

Funding
Movement in general fund working capital

Cash drawn down

Net Financing

Net Increase / (decrease) in cash and cash equivalents in the period
Cash and cash equivalents at the beginning of the period

Cash and cash equivalents at the end of the period

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

Increase/(decrease) in cash in year
Net debt/cash at 1 April

Net debt/cash at 31 March



Orkney Health Board

DIRECTION BY THE SCOTTISH MINISTERS

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

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 (FRM) which is in force for the year for which the statement of accounts are prepared.

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.

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.

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