ANNUAL REPORT AND ACCOUNTS

For

Year Ended 31 March 2019

NHS ORKNEY ANNUAL REPORT AND ACCOUNTS 2018/19

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PERFORMANCE REPORT - OVERVIEW

The purpose of this overview is to provide a summary of the activities of NHS Orkney during 2018/19 and include both the risks and achievements during the year.

Chief Executive Statement

2018/19 was a landmark year for the National Health Service and here in Orkney it provided a unique opportunity to both reflect on the ways that care has evolved over the last 70 years, and consider how it may further develop in the years ahead.

The patient population of NHS Orkney is at the forefront of all we do. We strive to deliver a first class service where progress and innovation continues to take centre stage. In last year's Performance Report I highlighted how we have been working to continually improve our services through incorporating the latest applications of best practice and taking every opportunity to make the best use of resources available which included the continued development of our talented workforce.

If we are to improve the quality of health care then it is essential that there is a greater focus on supporting and investing in the people on the frontline who work tirelessly to deliver care for patients. All of this can only be achieved through a fully integrated approach within Orkney.

Despite the challenges of increasing demand, NHS Orkney continues to deliver against all targets set and remain as a top performing Board. Target achievements in 2018/19 include Four-Hour Emergency Access target and Cancer diagnosis target, and an improved position in regards to Outpatient Waiting Times. The Board also continues to perform well on delayed discharges and in its Hospital Standardised Mortality Ratio.

Our work has been innovative, forward thinking and person-centred.

- We have show cased our achievements in working together across the health and care system to improve timeliness of discharge from hospital and our preventative approaches to population health.

- We supported the development of the new Quality of Care Approach through being a pilot test site in May 2018 and

- We became a gold award winner for the Armed Forces Covenant.

Over the next 12 months we will continue to implement a range of changes. We will move to the new hospital where innovation and treatment of patients will be delivered in a state of the art facility. Site optimisation will be key; a range of heath care facilities, GP services and Dental services will be delivered on one site. Hospital optimisation will further enhance the quality and safety of the care we provide in an Acute setting and improve patient pathways and flow.

In addition to local plans, we continue to work with neighbouring Health Boards to develop high quality, sustainable regional services. I am very pleased to report that a regional approach and new ways of thinking around employment of consultants is making a positive difference in numerous areas of the acute setting.

In 2019/20 NHS Orkney will continue its tradition of progress and innovation whilst improving the life of the patient population against a backdrop of ever competing demands and cost pressures.

1. NHS Orkney - who we are

Orkney Health Board (NHS Orkney) was established in 1974 under the National Health Service (Scotland) Act 1972 and is responsible for providing health care services for the residents of Orkney, with a growing population of approximately 21,500. NHS Orkney's purpose is to:

- Optimise health;
- Optimise care; and
- Optimise cost.

NHS Orkney is responsible for improving the health of the local population and delivering the healthcare they require. The Board, having approved its strategy 'Our Orkney, Our Health – transforming services strategy', set out that more of the same is not an option. The time to change has never been as important to NHS Orkney as we adopt and spread the language and practice of transformation and innovation as part of everyday culture. As the completion of our New Hospital and Healthcare Facility becomes closer, the preparations must increase and underpin effective transformational implementation plans. The plan takes account of our strategy deployment approach to enable us to link our aims or objectives to programmes of work that have agreed measures to chart progress and address variance at pace.

2. Our corporate objectives

Our corporate objectives, below, 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 (2018/19) was informed by engagement with staff, updated and approved by the Board in April 2018:

- Improve the delivery of safe, effective patient centred care and our services;
- Optimise the health gain for the population through the best use of resources;
- Pioneer innovative ways of working to meet local health needs and reduce inequalities;
- Create an environment of service excellence and continuous improvement; and
- Be trusted at every level of engagement.

NHS Orkney strives to consult with stakeholders. We routinely communicate with and involve people and communities including Community Councils in developing our plans. Informing, involving and consulting with patients, partners and the public in the transformation of clinical services is an important part of how we plan for the future.

During 2018/19 achievement of key results, as set out in the Operational Plan, was managed through our strategy deployment approach, which aligns our strategic/corporate objectives with resources and local improvement actions and targets in both clinical and non clinical settings/services.

As we prepare for the final building block of delivering the clinical strategy to come to fruition with the opening of the New Hospital and Healthcare Facility in 2019, the past year has been a time of reflection for NHS Orkney, taking stock of progress and further building relationships and new ways of working with the Integrated Joint Board to inform the way ahead as we look to develop a new clinical strategy in 2019 which will provide strategic direction and ensure NHS Orkney continues to meet the health needs of our population in the years ahead.

3. Health and Social Care Integration

Health and social care integration is well established in Orkney. During 2018/19 we worked with the Integrated Joint Board, known as Orkney Health and Care (OHAC), to refresh the Strategic Commissioning Plan. The commissioning plan aims to "help the people of Orkney live longer, healthier and more independent lives within their own homes and communities wherever possible". This plan builds on our successful partnership arrangements developed over time between Orkney

Islands Council and NHS Orkney. Further information can be located on the Scottish Government website, and with this OHAC link.

4. Population Health

NHS Orkney endorsed the Scottish public health priorities for local use. Work undertaken by the Community Planning Partnership is also being aligned around the priorities. Engagement events around Public Health Reform have occurred. Year round health protection cover has been available through collaborative cross-cover arrangements with NHS Shetland and Western Isles. Collaborative working has been carried out through the North of Scotland Public Health network on the Northern Health and Social Care Delivery Plan. As a Health Promoting Health Service, staff work across Orkney to improve and protect the health of the population.

The Well programme pilot was introduced, with 120 health checks performed and 72 referrals for coaching from a range of sources. “Confidence to cook” courses are being run which have attracted a wide variety of participants. A training needs analysis has been performed in the Orkney Choose Life group and a 2 hour course “Sound of Mind” developed in conjunction with Voluntary Action Orkney and the Blide Trust.

Work on prevention of diabetes was funded and a local needs analysis and projection of disease burden undertaken. Around 400 surveys from 1100 sent to those with diabetes have been returned and will shape future provision. An ‘Orkney Health Weight Delivery Plan’ has been drafted and mapping of effective weight management interventions against the levels of therapeutic input required as laid out in national guidance undertaken. Work has been carried out on mapping education programmes for self-management and further service redesign is planned.

The Vision Screening programme for preschool children on Orkney has been redesigned and is now being delivered by orthoptists freeing capacity in school nursing.

Collaborative work has taken place with multiagency partners around local childhood poverty and welfare reform.

Immunisations

Adult Immunisation Programmes continued to be delivered in line with national directions.

For shingles the uptake figures for 2018/19 campaign are incomplete but the figures for 2017/18 are for those aged 70 years 63.47% (Scottish average 44.7%) and aged 76 years 65.9% (Scottish average 40.4%). Pertussis uptake for pregnant women was at or above the Scottish average for the calendar year of 2018 reaching 80% in Q4. HPV vaccination for men who have sex with men continues to be delivered having started in June 2017. Local uptake data is not yet available.

Uptake rates for childhood immunisation programmes for year ending 31st December 2018 in Orkney are available in the table below compared with the Scottish average. Due to the small numbers involved there is year to year variability in performance.

Uptake by 12 months	Orkney	Scotland
Diphtheria, tetanus, pertussis (whooping cough), polio, *Haemophilus influenzae* type b (Hib) and Hepatitis B (DTaP/IPV/Hib/HepB) 6-in-1* primary course	94.1%	95.9%
Pneumococcal (PVC) primary course	93.5%	96.3%
Rotavirus primary course	93.5%	92.8%
Meningococcal B (MenB) primary course	94.1%	95.4%
Uptake by 24 months		
6-in-1 primary course	96.6%	97.4%
Measles Mumps & Rubella (MMR) 1	96.1%	94.2%
Hib/MenC	95.6%	94.6%
PCV Booster	93.1%	94.7%
MenB booster	93.1%	93.7%
Uptake by 6 years		
MMR 1	94.6%	96.3%
Diphtheria, tetanus, pertussis (whooping cough), polio (4 in 1 Booster)	93.2%	93.8%
MMR2	92.8%	93.3%

**Children who reached 12 months of age in 2018 were scheduled to receive the 5 in 1 vaccine, (no Hepatitis B component) or the 6-in-1 vaccine, depending on when they were born.*

The uptake data for the childhood immunisations is extracted from the Scottish Immunisation Recall System (SIRS) a module of the Child Health System. The use of SIRS is not consistent across all general practices in Orkney, an audit is being undertaken to identify data issues so that data quality can be improved.

There were changes made to the delivery of the seasonal influenza vaccination programme for adults during the 2018/19 campaign:

- All adults aged 75 years or more were offered an adjuvanted trivalent inactivated flu vaccine (aTIV)
- All adults aged 65-74 years were offered a trivalent inactivated vaccine (TIV)
- Those aged 18-64 years with at-risk conditions, including pregnant women were offered quadrivalent inactivated flu vaccine (QIV)

Uptake rates for the influenza immunisation programmes for the 2018/19 campaign in Orkney are available in the table below compared with the Scottish average

	Orkney	Scotland	Target
Pre-school (2 to <5)	69.5%	55.7%	65%
Primary school children	76.7%	72.9%	75%
Age 75 years and over	82.6%	79.3%	75%
Age 65 to under 75	69.7%	69.3%	75%
All at risk (excluding healthy pregnant women and carers	51.2%	42.4%	75%
Pregnant and not in a clinical at risk group	39.1%	44.5%	75%
Pregnant and in a clinical risk group	59.1%	57.4%	75%
Carers	53.0%	45.1%	Not Set

All uptake rates except for pregnant women and not in a clinical risk group are above the Scottish average. The childhood influenza cohorts and the adults age 75 years and over uptake rates all exceeded the targets set.

Screening

Bowel Cancer Screening uptake has been good. Provisional data for those invited for the calendar year of 2018 was 71% against a national performance of 66%. No breast screening was undertaken as this occurs every 3 years. The uptake for cervical screening in 2017/18, latest data, was 78.2% in Orkney, above the Scottish average of 72.8%. Planning is underway for the changeover to high risk Human Papilloma Virus (HPV) primary testing which is coming in January 2020. There are issues in maintaining appropriate staffing prior to this change, and NHS Orkney is in active dialogue with NHS Grampian where cytological analysis of cervical samples occurs.

The percentage of NHS Orkney men offered abdominal aortic aneurysm screening in 2018/19 was 99.4%, however the percentage who were tested has fallen to 72.7% which is below the desirable target of ≥ 85% and the Scottish average of 84.3%. Screening sessions are provided intermittently by NHS Grampian on Orkney and work in 2019 will include reviewing adherence to planned screening clinics.

Uptake of diabetic retinopathy screening is high with Q3 uptake at 66.1% (standard 60%). The photographic failure rate at 3.6% is greater than the target of 2.5%, in part due to patients travelling by car which prevents the use of drops for dilating pupils.

Business Continuity Plans
These are now in place covering departments and services across NHS Orkney. These are currently being revised together with the Major Incident Emergency Response Plan to reflect the move to the New Hospital and Healthcare Facility. A Brexit Planning Group remains live and is reviewing the Board's response arrangements around the UK's departure from the EU. NHS Orkney has also participated in multiagency exercises e.g. testing of new flood defences in Kirkwall.

5. Clinical Services

Whilst continuing our commitment to a patient centred approach, the past year has seen a steady increase of workload relating to the move into the new hospital and health care facility. The emphasis within the preparation has been ensuring that all staff are prepared and ready for the move including a focus on statutory and mandatory training as well as familiarisation with the new environment whilst continuing with the "normal daily business". As a follow up to last year's report and as an example of the continuing improvement effort, our Adults with Incapacity work shows that despite the additional workload that our compliance levels for 4AT (Dementia testing) continues to fluctuate between 96% and 100%. In an environment where the small numbers can have significant statistical impacts this is encouraging.

The work of the Infection, Prevention and Control Team (IPCT) has expanded to include the checks associated with the new hospital and health care facility but included significant audit activity within GP Surgeries. This has been a challenging piece of work in terms of capacity as the IPCT visited all of the GP surgeries in Orkney. The Infection, Prevention and Control effort within the Central Decontamination Unit is only the second unit in Scotland to successfully meet the ISO 13485:2016 Accreditation. The NHS Scotland National Cleaning Services audit performance, shows that our hygiene performance for our Domestic cleaning is 94% compliance with the approved standards. There have been no Norovirus outbreaks within the Hospital since February 2012.

"Deflate Friday" which is a Catheter Associated Urinary Tract Infection (CAUTI) preventative measure has been highly effective and received national recognition. The application of the preventative measures has reduced catheter usage and the incidence of infection, for example in one area where catheters are used in 10% of patients there has been no reported infections for 1036 days. Overall our Healthcare Associated Infection (HAI) effort has had good effect and the management of Peripheral Vascular Cannula (PVC) has been subject to successful improvement effort following a Staphylococcus Aureus Bacteraemia (SAB) infection.

The work of compliance with the Duty of Candour legislation continues successfully with recognition of the core concepts, intent and application of the Act being manifest at all levels. There have been 3 incidents which have initiated formal Duty of Candour Action, however the general awareness of the intent and mechanisms of the Act has ensured that staff act earlier and with greater urgency when untoward events occur or are suspected of having occurred. The integration of the Duty of Candour process with the Datix system has supported the application of Duty of Candour making this simpler. In addition, each Datix event is reviewed by the Incident Review Team each week and therefore there is a regular (weekly) review of Datix incidents and the application of Duty of Candour.

The weekly Morbidity and Mortality meetings support the discussions and the sharing of learning related to clinical events. These take place every Wednesday morning; they are well attended and multi-disciplinary in nature although work is underway to encourage the scope of attendees. All Duty of Candour events are discussed at this meeting.

Excellence in Care (EiC) continues to develop within the Board. Internal assurance of EiC is provided via regular reports to the Quality and Safety Group and also, the Clinical and Care Governance Committee. The EiC Lead Nurse has ensured that the CAIR Dashboard is available to all Senior Clinical Nurses (SCN's) within the ward areas and is taking forward developments within the community services. The key is for the SCN's to take ownership of the data related to their areas and use the information to influence their clinical practice. Overall this has been well received, however we need to continue to build confidence in the data quality and evidence how the integration with clinical practice can be best achieved.

Clinical Service developments continue with the establishment of a First Point of Contact Musculo-Skeletal (MSK) Physiotherapy service and a Nurse provided Intra-Vitreal Injection service.

First Point of Contact MSK - Self-referral into physiotherapy allows patients to access service directly without having to see GP first. Located in a local GP Surgery the aim is to reduce the waiting times for patients who require Physiotherapy assessment, as well as reducing pressures on GP appointment times. There were 117 Appointments between 01 October–31 January 2019, with a 2.5% DNA. Of the 117 patients seen, only 5 were return appointments with the others either signposted to other services or being supported to use a self-management regime. The evaluation of the financial impact and reduced workload of GP's and on hospital referrals is being evaluated. Patient satisfaction is being collated but indications are that this is high.

Intra-Vitreal Injection Service – The service commenced on 18 January 2018 and is provided by two nurses as part of their current role. Clinical supervision is provided by the Consultant Ophthalmologist who is working in an adjacent area and is within easy reach. From the start date until 31 March 2019 the service has provided 351 injections with a total procedure time of around 88hrs which is a saving on Consultant Ophthalmology time which has been reallocated to OPD and cataract surgery. In addition the use of Nurses to provide Optical Coherence Tomography (OCT) represents another element of time saved for medical staff as the time for taken to interpret the OCT is reduced by 50%. The reports on patient satisfaction are under review however there is an overwhelmingly positive response to the service by users.

Pharmacy has been actively involved in the Primary Care Improvement Plan (PCIP) and successfully recruited two General Practice pharmacists associated with the PCIP and new General Medical Services contract. The successful applicants will commence pharmacotherapy work within GP practices during the late spring and summer of 2019. Prescribing support work continues in Daisy Villa practice.

Aberdeen Royal Infirmary gave notice as our main supplier for medicines during 2018 resulting in significant work being undertaken to source alternative suppliers and we now procure our own medicines from around 40 different suppliers, aiming to purchase medicines in the most cost effective way.

In February 2019 the Falsified Medicines Regulations came into force; Pharmacy are introducing IT solutions which ensure compliance with the regulations both in Primary and Secondary Care.

Ward based activity continues including:

- Ward based pharmacy teams undertaking clinical reviews and medicines reconciliation on admission, in line with the Scottish Patient Safety Programme.
- Assessment and reuse of patient's own medication.
- Appropriate development and librarianship of Patient Group Directions.
- Further development of Pharmacy First service within community pharmacies
- Development of a pharmacy technician role to support medicines management for high risk patients in the community. This role will expand and interface with the introduction of the General Practice Pharmacists.
- Regional working to integrate medicine management arrangements across the North of Scotland.

6. Workforce

NHS Orkney approved the refreshed Workforce Strategy in December 2017 which sets out priorities for the next two years under the categories of capable, sustainable and engaged. The Operational Plan set out priorities in delivering the 2017/18 action plan.

As a remote and rural Board, NHS Orkney faces ongoing workforce challenges. However with innovative and agile arrangements, and collaboration with other NHS Boards, we had significant success in developing our workforce in 2018/19.

Medical manpower	NHS Orkney has traditionally had two training places on the non-Consultant rota, for General Practice Speciality Training (GPST) doctors, which we have struggled to fill in the last few years; however, during 2018/2019 we have filled both places removing the need to cover these gaps with locums. In addition, two Clinical Development Fellows (CDF) throughout the year have given continuity to the rota, to the patients and to the rest of the workforce. Collectively these senior doctors bring extensive knowledge and skills which they share widely through education sessions with substantive staff. The GPSTs and CDFs contribute to, and in some cases lead on, multi-disciplinary teaching, and provide mentorship to Medical Students, enhancing their experience with NHS Orkney.
National workforce workload tools	This is a mandatory requirement to inform nurse staffing levels and skill mix in both hospital and community settings. These are run on an annual basis, and validate our safe staffing model. The Board have appointed a Senior Nurse for Nursing and Midwifery Workforce Planning, whose main objective is to build capacity and capability in workforce planning across our services. This will build on the established programme of workforce and service planning as per CEL 32 (2011). The tools will run across Hospital, Community and Specialist Nursing teams in the autumn once the move to the New Hospital and Healthcare Facility is complete and new ways of working established.
Youth employment	Throughout 2018/19, NHS Orkney has continued to see an increase in the number of 16 – 24 year olds joining NHS Orkney, an increase of 15.25, which is well above the national average across the NHS in Scotland. The organisation has focused energy on the retention of those younger members of the workforce offering development opportunities across a variety of staff groups, but predominately in Business and Administration, Health and Social Care and Catering. The Organisational Development and Learning team continue to work with the University of Highlands and Islands and local secondary schools to increase work experience opportunities. Two Foundation Apprenticeships with students in Business Skills have been recruited, which offer secondary school students opportunities to experience working environments in addition to continuing their qualifications. NHS Orkney has representation on the Developing the Young Workforce Board in Orkney, and has worked in partnership with them to facilitate “Day in the Life of” events in the Balfour Hospital for secondary school pupils from across the Islands. Over 100 school pupils attended the clinical event in the Autumn of 2018, where they were able to experience working with the Scottish Ambulance Service, Basic Life Support, being a midwife and physiotherapist, as well as many other clinical roles. This has seen a significant increase in requests for work experience to help inform UCAS applications to train in health related careers.
Recruitment and retention	Workforce recruitment challenges continue, with 20% of our workforce aged 55 and above being eligible for retirement. We are succession planning, developing our existing workforce and continuing with our youth employment strategy to ensure a deficit doesn’t occur.

	During 2018/19 we have managed to recruit hard to fill posts in both Isles nursing and medical staff. A Consultant recruitment campaign was held early in 2019 from which we are hopeful we will recruit to some of these vacancies. A flexible approach in shift patterns has aided the recruitment and retention of internal and external locums to cover long term vacancies and other down time. NHS Orkney recognises that workforce development and career opportunities play a significant part in the retention of staff, and have invested in Graduate Apprenticeships in IT and Business and Administration. The Board is currently supporting 5 Graduate Apprentices, which has in itself offered opportunities for mentorship training to those supporting the apprenticeships.
Workforce Development	The Practice Education Team has worked with teams across health and social care to develop service development plans, which will inform the annual learning and development plan. This includes working with Primary Care colleagues on the Primary Care Implementation Plan on how we can develop roles as per the Transforming Roles agenda. NHS Orkney has invested in developing our Leadership and Management skills, focussing during 2018/19 on our Nursing workforce. We have seen 6 senior nurses complete their leadership and management modules with the Open University, moving them from Diploma level qualification to their Honours Degree. We have developed a clinical skills training programme based on TNA output, at the same time streamlining the 16 statutory and mandatory training requirements to 9, which has seen significant increase in compliance rates across all subject areas.

7. New Hospital and Healthcare Facility

During 2016/17 Robertson Capital Projects was announced as our preferred bidder. Work to conclude the Project Agreement, Pre-Payment Agreement and ancillary documentation was achieved and financial close was reached in March 2017. Construction work on this significant project began in April 2017 and is due to complete in May 2019, with the building planned to become operational in June 2019.

Ownership of the property remains with Robertson Capital Projects for 25 years when it transfers to NHS Orkney. The accounting treatment reflects the nature of the contract, which is a Non Profit Distribution (NPD) scheme with a funding variant. As agreed in the business case this asset is on the public sector Balance Sheet as a Fixed Asset (Under Construction until in use). The prepayment of the Annual Service Payment (ASP) is recognised as a long term debtor, and the requirement to pay the ASP over the 25 year period of the contract is recognised as a long term liability. Both of these values will reduce in tandem over the 25 year period. The Forecast Final Contract Value (Contract sum + agreed changes) is assessed as £64.179m (as at 28th February 2019). This value counts against our Capital Resource Limit as agreed with Scottish Government.

At its meeting on 24 April 2017 the Project Implementation Board (PIB) approved the establishment of the Transforming Implementation Programme Board (TIPB) with the role to direct, oversee and performance manage the delivery of the construction phase of the new build and related projects in line with NHS Orkney's migration and transitional planning. TIPB has continued to meet on a bi monthly basis during the construction period. The day to day responsibility for the delivery of the project has remained with the New Hospital and Healthcare Facility Project Team, led by the Project Director. At each TIPB meeting the Project Director provides a report covering project progress, finance and quality, supported by reports from the Board appointed Authority Technical Advisor, the jointly appointed Independent Tester and the Board appointed Clerk of Works. The Project Director also provides a report on project risks.

The NHS Orkney Board receives TIPB minutes and also receives regular reports from the Authority Observer (a Non Executive Member of the Board) as its representative on the Special Purpose Vehicle Board.

NHS Orkney commissioning of the building commenced in January 2019 with Beneficial Access (as provided for under the Project Agreement) to the Data Centre and Nodes Rooms to allow the installation and testing of Information and Communications Technology (ICT) equipment in advance of handover of the building to the Board. Beneficial Access has also been agreed under the Project Agreement for installation of Radiology, Dental and Central Decontamination Unit (CDU) equipment by specialist installers appointed by the Board. Installation of ICT and specialist equipment is nearing completion, with testing, commissioning and staff familiarisation and training planned for the immediate pre and post Handover periods. The Board's remaining commissioning activities, including the clinical clean of the building, equipping, stocking, staff familiarisation, and training and staff and public open days, will be completed in the post Handover period prior to the migration of services from the old building to the new.

The migration plan for the transfer of services to the new building was approved by TIPB on 28th November 2018 and is on programme.

The new facility offers opportunities for our workforce: The purpose built office area will provide support services, consultants, clinical teams and administration staff with a facility which meets their needs; offers the ability to build relationships, increase collaboration with clinical and non clinical teams who will be co-located; and reduce the dependency in the use of e-mail as a means of communication enabling more personal conversation.

Over the last 12 months we have digitalised all medical records, with the majority of our outpatient services now paperless. All clinics are set up and populated electronically, which enables a centralised reception check-in point for patients, moving from a variety of different check-in points on the current Balfour site. During 2019/20 we will see our Allied Health Professionals (AHP) and Community based services operate with digital records and with the right technology will be able to work much more effectively in their community settings.

As we prepare for the New Hospital and Healthcare Facility in 2019/20, we have continued to work on implementing new ways of working to assist in the transition such as the centralisation of reception facilities and changes to stock management and storage. This along with focussing on operational plans detailing how teams will use their new space to deliver the best possible patient care, are key building blocks in our transition journey.

8. BREXIT

NHS Orkney has been preparing for the impact of BREXIT by contributing to Local EU exit civil contingencies with partner agencies and establishing a risk register.

The risk register is being used to develop our short, medium and long term plans for exit covering workforce, goods, services and supply chains which include the following risk areas:-

Workforce - The impact on NHS Orkney and Orkney Health and Care is likely to be minimal, should there be a sudden loss of EU Nationals from within the workforce. The UK settlement scheme which has been made available to all EU citizens is now free to those who apply, and targeted conversations have been had with those known EU staff.

Medicines – Scottish Government are working with a wide range of agencies to ensure that patients receive the medicines and other medical supplies that they need, with pharmaceutical companies having larger than normal supplies of medicines.

Sundries – The National Distribution Centre (NDC) is part of National Procurement to deliver goods to hospitals and have increased supplies in areas such as medical devices, chemicals and general clinical consumables, with planning assumptions based on a six week reserve of stock.

Food and fuels – assumed that demand will be met and no impact is foreseen.

PERFORMANCE ANALYSIS

A) Financial Performance

The Scottish Government sets three annual financial targets at NHS Board level. NHS Boards are expected to contain their net expenditure within these targets, and to report on variation from the limits set.

Revenue resource limit	a resource budget for ongoing operations
Capital resource limit	a resource budget for new capital investment
Cash requirement	a requirement to fund the cash consequences of ongoing operations and new capital investment

NHS Orkney achieved each target as shown below.

	Limit as set by SGHD £000	Actual Outturn £000	Surplus £000
Core Revenue Resource Limit	**58,736**	**58,709**	**27**
Non Core Revenue Resource Limit	**964**	**958**	**6**
Core Capital Resource Limit	**29,951**	**29,951**	**0**
Cash Requirement	**94,854**	**94,854**	**0**

		£000
In year Outturn	Brought forward surplus from previous financial year	77
	Deficit outturn against in year Revenue Resource Limit	(50)
	Surplus against in year total Revenue Resource Limit	**27**

2018/19 saw continuing financial pressures with a forecast over spend by the end of the year, which related to essential cover from locums to maintain staffing levels and provide safe clinical services. However, this was recognised within Scottish Government who provided £1.80m financial support. Engagement with budget holders also resulted in 106% of the £2.75m savings target being achieved, which brought NHS Orkney within a break-even position.

Provisions for impairment of receivables

NHS Orkney included a provision of £92,000 in 2017/18 to cover doubtful receivables, 2018/19 was nil.

Outstanding liabilities

NHS Orkney has £16.280m of current liabilities and £1.221m of non-current liabilities, compared with £15.674m and £1.282m respectively in 2017/18. These consist principally of routine trade payables with the main movement relating to accruals for the New Hospital and Healthcare Facility.

A long term liability was established in 2017/18 and continues in 2018/19 to reflect the requirement under the NPD scheme for the New Hospital and Healthcare Facility to pay the Annual Service Payment (ASP) over the 25 year period of the contract. This is offset in the accounts by the prepayment arrangement for the ASP.

Legal obligations

NHS Orkney has an outstanding contractual commitment for the New Hospital and Healthcare Facility for £1.492m, which is due to be operational in 2019. This relates to outstanding obligations for ordered equipment and the prepayment of the ASP before ownership transfers to NHS Orkney.

The following represent provisions that have been included in the financial statements with regard to possible legal obligations in 2018/19, which are the subject of claims but with no agreed resolution.

- Clinical & Medical – £0 (2017/18: £5,000)
  The basis of the Clinical / Medical provision is based on information provided by Central Legal Office.
- HMRC – £0 (2016/17: £79,000)
  A provision for payment to HMRC of uncollected income tax was made in 2016/17 and was settled in 2017/18.
- Pay as if at work – £0 (2017/18: £500,000)
  A provision for payment to employees dating back to 2008 was established in 2017/18. This is for annual leave, which should have been paid as if at work and takes into account on-call and enhancement remuneration. This was resolved in 2018/19.

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Prior year adjustments

The prior year figures of Other Comprehensive Net Expenditure have been changed in order to reflect coding analysis consistency in 2017/18. The comparative information in respect of 2017/18 has been presented as shown in Note 21a.

Significant changes in fixed assets

There were no significant changes.

Pension Liabilities

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

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

An NPD Scheme with a funding variant for a New Hospital and Healthcare Facility has been agreed with the Scottish Government for completion in 2019/20. The Pre Financial Close Key Stage Review was signed off by Scottish Futures Trust on 23 March 2017 and by the Chief Executive on behalf of the Board on 27 March 2017. As at 31 March 2019 the construction was at week 97 of a 100 week construction programme. The accounting treatment of this scheme is as agreed in the Full Business Case.

Integrated Joint Board (IJB)

The IJB is established under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 with full delegation of functions and resources to enable integration of primary and community health and social care services.

The IJB is a separate legal organisation and acts as principal in its own right. Accordingly the Health Board is required to reflect the contribution to IJB funding for devolved health services, and the subsequent commissioning income from the IJB for those services delivered by the Health Board, as a distinct and separate transaction from the operational expenditure incurred delivering those services. The consequence of this, in the Health Board's accounts, is expenditure of £32.246m (2017/18 £31.358m) and income of £32.246m (2017/18 £31.358m). The expenditure is included in note 3 and income in note 4 and analysed below.

Throughout the year the IJB anticipated a forecast over spend at outturn of approximately £0.25m, however, hard to fill vacancies and additional primary medical services funding assisted in realising a surplus position of £0.116m of which NHS Orkney has 50% share as a joint venture. This is reflected in the Consolidated Statement of Financial position of £58,000.

	2017/18			2018/19		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
IJB	23,997	23,997	0	24,375	24,375	0
Set Aside	7,361	7,361	0	7,871	7,871	0
Total	**31,358**	**31,358**	**0**	**32,246**	**32,246**	**0**

The set aside is a notional budget for delegated hospital service functions and calculated on the basis that the use of underlying resources is within the remit of the IJB's commissioning decision, predominantly within the acute services. The delegated areas will be established in 2019/20 with a view to the IJB influencing expenditure within those areas.

There is currently a medium-term financial plan which will be submitted to the IJB Board in June which will illustrate the current financial position and how they plan to close the financial gap based on the current and future demand of services.

The Review of the Ministerial Strategic Group in respect of the progress of integration was published in February 2019 to help ensure the pace of integration increases in delivering the national health and wellbeing outcomes and has identified a number of proposals which should be acted upon in full by the statutory health and social care partnerships in Scotland. Orkney Health and Care is one of these partnerships.

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	**2018/19**	**2017/18**
Paid by value – in 10 days	89%	87%
In 30 days	96%	96%
Credit taken	19 days	20 days
Paid by volume – in 10 days	51%	51%
In 30 days	88%	87%

B) Performance against Non Financial Targets and Standards

Local Delivery Plan (LDP) standards are priorities set and agreed between Scottish Government and NHS Boards to provide assurance on performance and quality ambitions. NHS Orkney monitors performance monthly and reports on progress to the Finance and Performance Committee and each Board meeting.

Health

Regular performance reports were provided against the standard for smoking cessation, detailing the work undertaken to improve performance. Smoking Matters Orkney service has been redesigned and rebranded to mirror the national service Quit your Way. The service has a high quit success rate.

Statistics on smoking quit rates are not yet available for the third or fourth quarters, but early indications on the third quarter are that it has met its target. The results can be reviewed here.

Access to Services

The table below summarises performance against several of the LDP access standards over the 2018/19 year. Although we have consistently met the four hour A&E target and the elective 18 week referral to treatment standard, performance against the 12 week referral to treatment standard is below target.

	Outpatients < 12 wks from referral to first appointment	Inpatient or day case treatment < 12 wks	Elective to commence < 18 wks from referral	A&E – 4 hrs from arrival to admission to discharge	Urgent referrals cancer to treatment < 62 days	Decision to start cancer treatment < 31 days
Standard	95.00%	100.00%	90.00%	95.00%	95%	95%
Apr-18	84.3%	88.4%	95.6%	95.5%	50%	100%
May-18	88.3%	87.9%	93.7%	96.6%	100%	0%
Jun-18	69.7%	100.0%	92.3%	97.7%	100%	100%
Jul-18	82.5%	72.8%	95.0%	97.5%	100%	100%
Aug-18	86.8%	98.0%	94.5%	96.6%	100%	100%
Sep-18	61.1%	71.7%	90.5%	93.7%	67%	100%
Oct-18	78.8%	88.9%	96.1%	95.3%	100%	100%
Nov-18	72.7%	90.6%	94.4%	94.8%	50%	50%
Dec-18	81.6%	88.6%	94.6%	94.6%	83%	100%
Jan-19	75.7%	80.5%	94.6%	96.0%	100%	100%
Feb-19	61.9%	77.5%	95.8%	95.6%	100%	100%
Mar-19	72.3%	67.7%	93.5%	93.7%	100%	100%

(Figures in red are from internal sources and not yet published by ISD.)

Innovative initiatives such as using consultants from other health boards to consult and operate in Orkney, part-time consultants shared between boards, and developing Service Level Agreements have increased capacity and enabled improvement. At the end of March 2019, there are 195 breaches of the 12 week new outpatient standard, demonstrating significant improvement from the March 2018 position of 400 patients waiting over 12 weeks for a first outpatient appointment.

- Performance against the Inpatient/Day Case standard has been variable with breaches occurring largely as a result of pressure in orthopaedics and ophthalmology. There were 35 patients breaching the Treatment Time Guarantee at the end of March 2019.
- Access to on island consultant service provided by our staff (surgery, medicine, and gynaecology) is well within LDP standards.
- We continue to perform well against the four hour Accident and Emergency standard, maintaining performance at or around the 95% standard throughout the year. This will be further enhanced by our move to the New Hospital and Healthcare Facility as we improve patient flow and benefit from the availability of designated assessment beds.
- Access to Diagnostics has proved challenging at times as a result of staff vacancies. However in general the Board has continued to perform well.
- Performance on cancer 31 day targets has been good. However small volumes of patients can give rise to considerable variation in monthly performance. Each breach is investigated and lessons learned.
- Regarding Child and Adolescent Mental Health Services and Psychological Therapies, performance has been challenging over the year, linked to difficulties in appointing to vacancies.

IJB

The IJB's Strategic Plan for 2016/19 was approved on the 21 March 2016 and has been refreshed on an annual basis. The following is an extract of the 2018/19 refreshed plan which was approved on 14 March 2018 and can be located here:

"While there have clearly been challenges in delivering health and social care services, which will continue in the current difficult financial circumstances, we have a good track record in Orkney of working together to deliver efficient and effective services. The Integrated Joint Board will aim to commission services that achieve improvements that can be seen locally and that support improvement in the health and wellbeing outcomes, as set by the Scottish Government, and those involved in delivering health and care services will continue to do their best to put the needs of individuals at the heart of what they do."

- Over the past 5 years Orkney has had the lowest percentage of delayed discharges for people over 75 in Scotland. A new protocol is being developed to record and better manage the delays that arise due to patient and family preference.

- We have been offering alternatives to admission to hospital by commissioning a step up/down community facility delivered by the third sector. Although there has been a great deal of seasonal variation, it is providing good value for money and meeting desired outcomes for individuals.

- The Rapid Mobile Community Responder Service has enabled many people to remain within their own homes and is valued by those who use it. It has also demonstrated success in the objectives that were set. However, as with the step up/step down, this does not release any savings from acute services. It was agreed to reduce the service from 24 hours per day to an 18 hour day provision, which would save around £0.026m. The Community Mobile Responder team who install and respond to community alarms will still operate a 24 hour per day service.

- A local Mental Health Strategy is being developed taking into consideration the additional issues that we face as a remote and rural area. This will look at how we will work to develop an all age, all community aspiration to how we do things here in Orkney. Whether this be perinatal mental health, supporting children and young people, adults or older people, the strategy will ensure our services are developed to demonstrate that here in Orkney you are valued as a member of our community.

- An initial delivery plan was submitted to the Scottish Government in support of Action 15 of the National Mental Health Strategy 2017-2027. This specific action directs that there will be an increase in workforce to give access to dedicated mental health professionals to all A&Es, all GP practices, every police station custody suite and to the prisons.

- The Primary Care Improvement Plan will function as a framework that sets out an ambitious and attractive vision for how services will be delivered in General Practice and primary care that operate in partnership with the wider health and care system. There are particular challenges associated with implementing the new GP contract in remote and rural areas. The British Medical Association and Scottish Government have acknowledged this and state that the new GP contract as it stands currently does not easily fit remote and rural general practice. A "one size fits all" approach will not work across Scotland and will not work across Orkney given the unique geographical challenges and variations between practices.

  The local plan was approved by the Board on 3rd October 2018 and can be found here. http://www.orkney.gov.uk/Files/Committees-and-Agendas/IJB/IJB2018/03-10-2018/I17__PCIP.pdf

  Progress and updates will be submitted to the IJB for information and approval.

The Scottish Government published the Medium Term Health and Social Care Framework in October 2018. This framework aims to consider the whole health and social care system and how this supports the triple aim of better care, better health and better value.

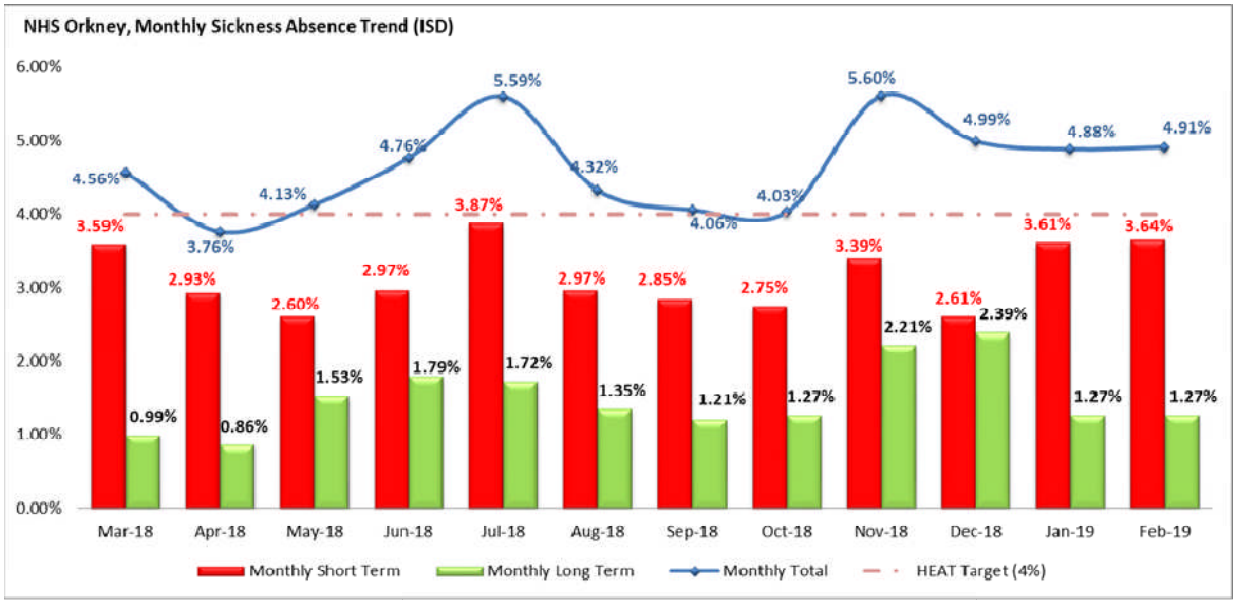
The Chief Officer post was vacant from April until September and the Chief Executives of NHS Orkney and Orkney Islands Council covered the post in that interim period.

Efficiency and Governance

iMatter is a staff experience continuous improvement tool offering a facility to measure, understand, improve and evidence staff experience. With more people contributing to the 2017 survey, unsurprisingly the Employee Engagement Index (EEI) score saw a slight reduction compared to 2016. In overall terms, NHS Orkney engagement reflects exactly the NHS Scotland trend. The "You said, We did" bulletin aided improvement in the response rate and indicates how iMatter is being supported by the Board, and understood and accepted by staff. There are 4 key performance indicators for boards and raising awareness in 2018 has improved the response rate as below:

1. Response rate - NHS Orkney has achieved an increase in responses, up to 83% from 73 % in 2017, significantly higher than the national response rate of 59%, the highest response rate across the territorial Boards and the highest increase in response rate across the 22 Boards.
2. No Report - NHS Orkney has 79 teams. 9 teams did not receive the required 60% response rate to receive a report.
3. Employee Engagement Index – NHS Orkney has increased its EEI score from 74 in 2017 to 76 in 2018.
4. Action Plans Agreed – 70 teams out of 78 completed an improvement action plan, the highest of the territorial Boards in NHS Scotland.

Sickness absence continues to be a significant focus, in particular the areas which contribute to the most hours lost. Despite these efforts, during 2018/19, the average over the year was 4.63%, exceeding the standard of 4%. This compares with a NHS Scotland average of approximately 5.39%.



Sustainability and environmental reporting

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

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. Emissions have reduced to 548 tonnes of CO2 in 2018/19 compared to 561 tonnes in 2017/18.

Signed Date 26 June 2019

Gerry O'Brien
Chief Executive

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 March 2019.

1. Date of Issue

The Accountable Officer authorised these financial statements for issue on 26 June 2019.

2. Naming convention

NHS Orkney is the common name for Orkney Health Board.

3. Principal activities and review of the business and future developments

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

4. 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 Gillian Woolman, Audit Director, 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.

5. Corporate governance

Corporate governance is the term used to describe the overall control system. It details how NHS Orkney directs and controls functions and how we relate to our communities.

The Board meets regularly during the year to progress the business of NHS Orkney. The overall purpose of the Board is to ensure efficient, effective and accountable governance, and to provide strategic leadership and direction. The Board articulates the ambition for NHS Orkney and demonstrates leadership by:

- Giving leadership and strategic direction
- Putting in place controls to safeguard public resources
- Supervising the overall management of its activities
- Reporting on management and performance.

The work of the Board is supported by a framework of assurance, through the operation of governance committees which report to the Board:

- Finance and Performance
- Remuneration
- Clinical and Care Governance
- Staff Governance
- Audit.

Finance and Performance Seven meetings held during 2018/19	Reviews the financial and non financial targets of NHS Orkney, to: • ensure that appropriate arrangements are in place to deliver against organisational performance measures • secure economy, efficiency, and effectiveness in the use of all resources • provide assurance that the arrangements are working effectively • provide cross committee assurance to the Integrated Joint Board in relation to performance on delegated function		
Members	**Attendance**	**Role**	**From / To**
Rognvald Johnson	1 of 1	Chair of Committee	To 30 June 2018
David Campbelll	7 of 7	Chair of Committee	From 23 August 2018
James Stockan	5 of 7	Vice Chair	
Caroline Evans	5 of 5	Non Executive Board Member	From 1 September 2018
Ian Kinniburgh	2 of 3	NHS Orkney Chair	To 23 August 2018
Meghan McEwen	2 of 2	Non Executive Board Member	From 1 September 2018
Gerry O'Brien	6 of 7	Chief Executive	
Hazel Robertson	3 of 4	Director of Finance	To 21 October 2018
Gillian Skuse	0 of 1	Non Executive Board Member	To 31 May 2018

Remuneration Four meetings held during 2018/19	Responsible for • determining and regularly reviewing NHS Orkney's pay policy, in line with national conditions and guidance • agreeing the individual in-year objectives of NHS Orkney's executive directors • approving the annual performance assessment of executive directors.		
Members	**Attendance**	**Role**	**From / To**
Ian Kinniburgh	3 of 4	Chair of committee	
James Stockan	3 of 4	Vice Chair	
Naomi Bremner	3 of 3	Non Executive Board Member	To 30 November 2018
Fiona MacKellar	4 of 4	Employee Director/Non Executive Board Member	
Meghan McEwen	1 of 3	Non Executive Board Member	From 1 September 2018

Clinical and Care Governance Four meetings held during 2018/19	Provides assurance that : • robust clinical governance controls and management systems are in place and effective throughout NHS Orkney • robust clinical and care governance controls and management systems are in place and effective for the functions that NHS Orkney and Orkney Islands Council have delegated to the Orkney Health and Care Integrated Joint Board.		
Members	Attendance	Role	From / To
Gillian Skuse	1 of 1	Chair of Committee	To 31 May 2018
Isobel Grieve	2 of 2	Chair of Committee	From 23 August 2018
Steven Johnston	4 of 4	Vice Chair	
David Drever	2 of 4	Non Executive Board Member	
Scott Hunter	3 of 4	Head of Service, Children and Families, Criminal Justice and Chief Social Work Officer	
Rachael King	3 of 4	Elected Orkney Islands Council member	
Ian Kinniburgh	1 of 2	NHS Orkney Chair	To 23 August 2018
David McArthur	4 of 4	Director of Nursing, Midwifery and Allied Health Professions	
Meghan McEwen	2 of 2	Non Executive Board Member	From 1 September 2018
Chris Nicolson	4 of 4	Director of Pharmacy	
Gerry O'Brien	3 of 4	Chief Executive	
John Richards	4 of 4	Elected Orkney Islands Council member	
Marthinus Roos	2 of 4	Medical Director	
Steve Sankey	1 of 4	Elected Orkney Islands Council member	
Heather Tait	4 of 4	Public representative	
Louise Wilson	2 of 4	Director of Public Health	

Staff Governance Four meetings held during 2018/19	Advises the Board on: • its responsibility, accountability and performance against the NHS Scotland Staff Governance Standard, addressing the issues of policy, targets, and organisational effectiveness.		
Members	Attendance	Role	From / To
David Drever	4 of 4	Chair of Committee (to 23 August 2018)/Non Executive Board member	
Caroline Evans	2 of 2	Chair of Committee	From 1 September 2018
Fiona MacKellar	4 of 4	Vice Chair	
Isobel Grieve	3 of 3	Non Executive Board member	From 23 August 2018
Annie Ingram	0 of 4	Director of Workforce	A Catto deputising
Steven Johnston	1 of 1	Non Executive Board member	To 23 August 2018
Gerry O'Brien	3 of 4	Chief Executive	
Kate Smith	3 of 4	Partnership representative	
Karen Spence	1 of 2	Staff representative	To 23 August 2018
James Stockan	1 of 2	Non Executive Board member	To 23 August 2018
Chris Werb	2 of 3	Staff representative	From 23 August 2018

Audit Six meetings held during 2018/19	Supports the Board in its responsibilities for: • issues of risk, control and governance and associated assurance through a process of constructive challenge • liaising closely with the Integrated Joint Board Audit Committee and sharing information of benefit to the Integrated Joint Board.		
Members	**Attendance**	**Role**	**From / To**
Naomi Bremner	4 of 4	Chair of Committee	To 30 November 2018
Meghan McEwen	3 of 3	Chair of Committee	From 1 December 2018
Jeremy Richardson	1 of 3	Vice Chair	To 31 August 2018
David Campbelll	4 of 5	Vice Chair	From 1 September 2018
Fiona MacKellar	6 of 6	Employee Director/Non Executive Board Member	
Gillian Skuse	0 of 1	Non Executive Board Member	To 31 May 2018
James Stockan	3 of 4	Non Executive Board Member	From 23 August 2018

6. Board membership

Under the terms of the Scottish Health Plan, the Health Board is a board of governance whose membership will be conditioned by the functions of the Board.

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 NHS Orkney as a whole, and reflects the partnership approach, which is essential to improving health and healthcare services. During the year Board members were as follows.

Chair and Vice Chair		
Ian Kinniburgh	Chair	
Gillian Skuse	Vice Chair	To 31 May 2018
Naomi Bremner	Vice Chair	From 5 July to 30 November 2018
David Drever	Vice Chair	From 1 December 2018
Non Executive Directors		
David Campbelll	Non Executive Board member	From 4 June 2018
Caroline Evans	Non Executive Board member	From 1 September 2018
Isobel Grieve	Non Executive Board member	From 1 July 2018
Rognvald Johnson	Non Executive Board member	To 30 June 2018
Steven Johnston	Area Clinical Forum Chair	
Fiona MacKellar	Employee Director	
Meghan McEwen	Non Executive Board member	From 1 September 2018
Jeremy Richardson	Non Executive Board member	To 31 August 2018
James Stockan	Local Authority Representative	
Executive Directors		
Gerry O'Brien	Chief Executive	
David McArthur	Director of Nursing, Midwifery and Allied Health Professions	
Hazel Robertson	Director of Finance	To 21 October 2018
Marthinus Roos	Medical Director	
Dr Louise Wilson	Director of Public Health	

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

Attendance at Board meetings

Name	Role	Number of Meetings	Number Attended	%
Ian Kinniburgh	Chair	7	7	100
Naomi Bremner	Non Executive Board member	5	5	100
David Campbelll	Non Executive Board member	6	5	83
David Drever	Non Executive Board member	7	6	86
Caroline Evans	Non Executive Board member	3	3	100
Isobel Grieve	Non Executive Board member	6	5	83
Rognvald Johnson	Non Executive Board member	2	2	100
Steven Johnston	Non Executive Board member	7	6	86
Fiona MacKellar	Non Executive Board member	7	5	71
Meghan McEwen	Non Executive Board member	4	4	100
Jeremy Richardson	Non Executive Board member	4	2	50
Gillian Skuse	Non Executive Board member	1	1	100
James Stockan	Non Executive Board member	7	6	86
David McArthur	Director of Nursing, Midwifery and Allied Health Professions	7	6	86
Gerry O'Brien	Chief Executive	7	7	100
Hazel Robertson	Director of Finance	5	5	100
Marthinus Roos	Medical Director	7	4	57
Louise Wilson	Director of Public Health	7	7	100

7. Board members' and senior managers' interests

The interests of board members, senior managers and other senior staff in contracts or potential contractors with NHS Orkney are shown here as required by IAS 24 (Related Party Transactions) are disclosed in note 24.

Board Member	Declared Interest
Naomi Bremner	Integrated Joint Board – substitute member Self-employed – Eyland Skyn (Management Consultancy) Trustee of Orkney Health Board Endowment Funds
David Drever	Chair of the Integrated Joint Board Chairperson – Heilendi Practice Patient Focus Group Trustee of Orkney Health Board Endowment Fund
Rognvald Johnson	Integrated Joint Board – voting member Trustee of Orkney Health Board Endowment Funds
Steven Johnston	Trustee of Orkney Health Board Endowment Funds
Ian Kinniburgh	Chairman, National Evaluation Committee Member of National Performance Management Committee Member and vice chair of Orkney Partnership Board Member, SNP Member of ministerial group on Health and Social Care Integration Member of Scottish Access Collaborative Programme Board Chairman of NHS Scotland Chairs Group Trustee and Chairman of Orkney Health Board Endowment Funds
David McArthur	Trustee of Orkney Health Board Endowment Funds Member of Reserve Forces Army Medical Services Reserve Member of Reserve Forces Group A engagement
Fiona MacKellar	Trustee of Orkney Health Board Endowment Funds
Gerry O'Brien	Trustee of Orkney Health Board Endowment Funds
Jeremy Richardson	Chair of Age Scotland Orkney Chair of Relationships Scotland and active director Chair of Integrated Joint Board Trustee of Orkney Health Board Endowment Funds
Hazel Robertson	Trustee of Orkney Health Board Endowment Funds
Marthinus Roos	Trustee of Orkney Health Board Endowment Funds
Gillian Skuse	Managing Director – Age Scotland Orkney Integrated Joint Board – voting member Trustee of Orkney Health Board Endowment Funds
James Stockan	Leader of Orkney Islands Council Trustee of Orkney Health Board Endowment Funds
Dr Louise Wilson	Quality lead Scotland, Faculty of Medical Leadership and Management Trustee of Orkney Health Board Endowment Funds Vice convenor of the Faculty of Public Health Scotland

Board Member	Declared Interest
Meghan McEwen	Trustee of Orkney Health Board Endowment Funds Deputy member of the Integrated Joint Board
Isobel Grieve	Trustee of Orkney Health Board Endowment Funds Member of the Integrated Joint Board
Caroline Evans	Trustee of Orkney Health Board Endowment Funds Deputy member of the Integrated Joint Board
David Campbell	Trustee of Orkney Health Board Endowment Funds Chair of the Integrated Joint Board Integrated Joint Board – voting member

8. Directors' third party indemnity provisions

There are no third party indemnity provisions.

9. Remuneration for non audit work

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

10. Value of land

There is no significant difference between the market value and the balance sheet value of land at 31 March 2019.

11. 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.

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.

THE STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2018 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

- apply on a consistent basis the accounting policies and standards approved for NHS Scotland by the Scottish Ministers
- make judgements and estimates that are reasonable and prudent
- state where applicable accounting standards as set out in the Government 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.

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.

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

THE STATEMENT OF ACCOUNTABLE OFFICERS' RESPONSILITIES

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
- safeguarding the assets of NHS Orkney.

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

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

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

I am responsible for ensuring proper records are maintained and that the accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officer's letter to me of 21 November 2018.

GOVERNANCE STATEMENT

Scope of Responsibility

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

Purpose of Internal Control

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

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

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

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

NHS Endowments

In accordance with IFRS 10 – Consolidated Financial Statements, the Financial Statements consolidate the NHS Orkney Endowment Funds. This statement includes any relevant disclosure in respect of these Endowment Accounts.

Integrated Joint Board Accounts

In accordance with IFRS11 Joint Arrangements and other relevant standards, the Financial Statements consolidate the Integrated Joint Board Accounts. This statement includes any disclosure in relation to the H&SCP Accounts.

Governance Framework

The Board has collective responsibility for health improvement, the promotion of integrated health and community planning through partnership working, involving the public in the design of healthcare services and staff governance.

Members of Health Boards, as detailed on page 21, 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. Likewise, members of the committees as identified on page 19 are also selected on the basis of their particular expertise.

Responsibilities of Members of the Board

Membership of the 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 staff understand their own responsibilities.

The NHS Board has arrangements 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 the Code of Corporate Governance; this document specifies the matters which are reserved for the NHS Board, the matters which are delegated under the Scheme of Delegation and the matters which are remitted to a Committee of the NHS Board.

The Code of Corporate Governance and the Endowment Charter, including the Code of Conduct that board members must comply with, along with the Standing Financial Instructions. 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 corporate objectives detailed within the Corporate Plan.

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 Scottish Government guidance, determined by the Remuneration Committee.

Data Quality

The Board receives numerous reports which include detailed information covering financial, clinical and staffing information. In general these reports are considered by the Senior Management Team and at a various Governance Committees prior to being discussed at the Board. This allows for detailed consideration of the content, completeness and clarity of the information being provided to the Board. Assurance on the information included in reports also comes from the overall approach to the management of information (through the information governance group) and validation processes and assurances on the quality of information provided from internal audit and other scrutiny bodies.

Risk Management

The Chief Executive of the NHS Board as Accountable Officer whilst personally answerable to the Parliament is ultimately also accountable to the Board for the effective management of risk.

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.

Weekly Datix review meetings and the weekly Morbidity and Mortality (M&M) meetings are a core supporting element of our risk management arrangements. The M&M meetings are where the multi-disciplinary clinical community can discuss matters of clinical relevance. The aim is to promote a broad dialogue on clinical matters where lessons can be identified and integrated into practice. The topics range from reviewing recent clinical incidents, new clinical developments, to sharing best practice and reviewing the handling of infrequent presentations. The M&M is chaired by the Clinical Quality Improvement Advisor or a senior clinician. The M&M minutes are published widely and reports are provided to the Quality and Safety Group. The meetings comply with the recommendations of the Scottish Mortality and Morbidity Programme, which are:

- provide a blame-free but a professionally accountable forum, based on sound educational principles and encouraging openness, honesty and transparency from participants
- focus on learning and improvement of systems and processes of care and not on individual performance
- apply a 'systems' approach to analysis of case presentations to ensure in-depth understanding, effective team learning and the development of improvement actions
- have the outcome data recorded, and inform other organisational safety and improvement initiatives and obligations to maximise collective learning.

The running costs of the New Hospital and Healthcare Facility are being closely monitored by the Head of Hospital and Support services and the Head of Transformational change and Improvement. Costs can only be incurred after close scrutiny and sign off by an appropriate budget holder and must remain within the available resource envelope.

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 our Governance Committees and the Board on a regular basis. As Chief Executive I have overall accountability for ensuring that an effective risk management system is in place. During 2018/19 the Board of NHS Orkney approved a refreshed Risk Management Strategy and Policy which is being further developed to build on existing arrangements and further enhance our approach to risk management. We have a suite of risk registers, the format of which is clear and understandable and includes key information including risk reference, risk owner and initial, current and target risk scores. Key mitigating actions for each risk is recorded within the Datix System.

Quality and Safety

Despite the national shortage of medical staff, NHS Orkney has maintained a safe medical staffing model through taking innovative approaches to recruitment and retention which sees a small number of substantive post-holders, augmented with a pool of known and trusted locums to fill the vacant posts. Although expensive, this model has proved to be flexible and resilient reducing the associated clinical risks. The efforts to recruit medical staff have been successful in some specialities; however the national scarcity of General Surgeons with the skill set required to operate within remote and rural areas remains challenging.

The Significant Adverse Events policy and guidance has been extensively revised and incorporates best practice recommendations. The triangulation which takes place between the Incident Review Group, Patient Experience, Morbidity and Mortality meetings, provides a strong Multi Disciplinary Team (MDT) approach to governance.

NHS Orkney has a well established complaints system, whereby members of the public can make a complaint or raise concerns to the Board regarding "*an expression of dissatisfaction about the organisation's action or lack of action, or about the standard of service provided by or on behalf of the organisation*". Information on our complaints process, which has been updated to reflect the new complaints handling procedure (CHP), can be accessed through NHS Orkney's website. The whistleblowing policy can be located with this link.

Access to services

In 2018/19, Internal Audit undertook an audit into waiting list management against national guidance and best practice. The report concluded that NHS Orkney has a strong governance structure to manage and monitor our compliance with waiting times and standards.

Waiting Times are reported to both the Finance and Performance Committee and discussed in public at our regular NHS Board meetings. The Board's waiting time performance is described in the Performance Report (located with this link). Waiting times will continue to feature in the Board's audit plan on an annual basis.

Enabling Technology

NHS Orkney invested significantly in IT systems and infrastructure to support our commitment to deliver services closer to home. This investment is part of our system wide improvement agenda including an ambition to implement an electronic patient record.

In the last 12 months we have progressed significantly towards our vision of an Electronic Patient Record: our Partnership with the NHS Grampian eHealth Team has seen the implementation of paperless outpatients, as well as working with our AHP and Specialist Nursing services to move them onto digital medical records.

The new Enabling Technology Board will formally establish itself in the late Spring 2019. This Board will oversee the delivery of key eHealth, ICT work streams and wider digital transformation projects designed to build capacity and capability across NHS Orkney in relation to technology and systems to support the transformation and delivery of our clinical services.

IT has played a significant role in the project team who have been working on the New Hospital and Healthcare Facility due to open in June 2019. The new facility is completely IT enabled, with new state of the art technology in many of the departments. The building has been designed to be fully flexible with the IT infrastructure enabling the workforce to work from anywhere in the building, as well as ensuring we have the infrastructure to support more flexible community based and home based working.

Information Governance

During 2018/19 NHS Orkney has undertaken a number of engagement sessions with staff from across all disciplines in preparation for the General Data Protection Regulations which came into force in May 2018.

The Information Governance Group have overseen the implementation of an Information Governance improvement plan which has included regular reporting on the completion of training across the workforce in relation to Safe Information Handling. Information Asset Owners have been identified and have completed their information asset registers.

In relation to the General Data Protection Regulations our improvement plan has included:

- Create and populate a register of Information Sharing Agreements
- Gap analysis of Information Sharing Agreements
- Gap analysis of Data Protection Impact Assessments
- Programme of Data Protection Impact Assessments
- Established a working arrangement with the local authority for Data Protection Officer advice.

The Primary Care Data Controller's action plan is still work in progress, whilst we await further guidance nationally.

In March 2018 a data breach was reported to the Information Commissioner's Office. This matter is still under investigation locally and after an exchange of information between NHS Orkney's Data Protection Officer and the Information Commissioner's Office they have confirmed that they are satisfied with all the actions being taken internally, and no further action is necessary from them.

Subject access requests (which also include medical records requests following implementation of GDPR) have been processed by the FOI Officers since June 2018. During the period June 2018 to March 2019 87 requests were received. 81% were responded to within one calendar month (taken as 28 days for reporting purposes).

During 2018/19, 610 Freedom of Information (FOI) requests were received. 77.9% of responses were issued within the 20 working days deadline. Following a poor performance between July to September, performance has improved greatly to 93% for the final quarter. Utilising a trial of a single person approval process has contributed to this and will continue to be monitored.

Trade Union Regulations

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation.

Number of employees who were relevant union officials during the period 1 April 2018 to 31 March 2019	Full-time equivalent employee number
18	16

Percentage of time spent on facility time

Percentage of time	Number of representatives
0%	4
1 - 50%	14
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time	£14,000
Total pay bill	£29,732,000
Percentage of the total pay bill spent on facility time	**0.05%**

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	2%

Orkney Health Board Endowment Funds

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Financial Statements consolidate the Endowment Funds of Orkney Health Board. 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 Funds Sub Committee. The Endowment Funds Accounts are subject to their own audit process to provide reasonable assurance that no material misstatements have arisen in the financial statements in connection with retrospective agreement to bids, and that funds have been used in accordance with the charitable purposes. This has been completed and no issues have been highlighted.

Review of Adequacy and Effectiveness

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

- the Executive Directors, who have a responsibility for development and maintenance of the internal control framework, and their subsidiary report on governance
- the work of the internal auditors, who submit regular reports to the Audit Committee 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
- annual reports from assurance committees.

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

- Transforming Implementation Programme Board
- Quality and Safety Group
- Information Governance Steering Group
- Senior Management Team.

The Audit Committee, which meets with both internal and external auditors in attendance, has considered 11 internal audit reports in 2018/19 as part of a three year rolling programme. The overall opinion from our Internal Auditors is that NHS Orkney has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.

Our internal audits covered key areas of governance: clinical governance, staff related governance (including complaints management, significant adverse events, and revalidation), and financial governance including partnership working, strategic and operational planning. In addition there was a focus on the new Hospital and Healthcare project, and information management (Freedom of Information and Information Governance). An additional report relating to the Digitising Medical Records project was commissioned and identified significant weakness in governance and management arrangements.

Disclosures

Based on the evidence considered during my review of the effectiveness of the internal control environment operating within NHS Orkney, I am not aware of any outstanding significant control weaknesses or other failures to achieve the standards set out in the guidance on governance, risk management and control.

ACCOUNTABILITY REPORT – REMUNERATION AND STAFF REPORT

A) REMUNERATION REPORT

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION

Membership of the Remuneration Committee comprises:

Ian Kinniburgh	(Chair)
James Stockan	(Vice Chair)
Naomi Bremner	To 30 November 2018
Fiona MacKellar	
Meghan McEwen	From 1 September 2018

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 four meetings held during 2018/19.

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 reflect the outcomes of these processes. All extant policy guidance issued has been appropriately applied and agreed by the Remuneration Committee.

Board Members' Contracts of employment

The Executive Board members of NHS Orkney are employed on permanent contracts of employment which require a minimum of three months notice. The Non-Executive members are ministerial appointments on contracts of between two and four years. The terms and conditions of Executive and Senior Management Cohort and Non-Executive Members including annual remuneration, and any entitlement to severance pay, is determined by the Scottish Government under Ministerial Direction and in accordance with PCS (ESM) 2013/1, PCS (ESM) 2012/1, PCS (ESM) 2013/2, PCS (ESM) 2013/3, PCS (ESM) 2015/1, PCS (ESM) 2015/2, PCS (ESM) 2016/1 and PCS (ESM) 2017/1.

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 2018/19.

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 2018/19 and 2017/18 along with median pay information, and have been audited by NHS Orkney's auditors.

REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2019

	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: Gerry O'Brien (1)	40-45	0	40-45	53	95-100
Chief Executive: Gerry O'Brien (2)	75-80	0	75-80	0	75-80
Director of Nursing, Midwifery and AHP: D McArthur	75-80	0	75-80	18	95-100
Director of Finance: H Robertson (3)	45-50	0	45-50	-5	40-45
Director of Finance: Mark Doyle (4)	0-5	0	0-5	0	0-5
Medical Director: M Roos (5)	190-195	0	190-195	24	215-220
Director of Public Health: Dr L Wilson (6)	130-135	0	130-135	9	140-145
Non Executive Members					
The Chair: I Kinniburgh	25-30	0	25-30	0	25-30
N Bremner (7)	5-10	0	5-10	0	5-10
D Drever	5-10	0	5-10	0	5-10
R Johnson (8)	0-5	0	0-5	0	0.5
J Richardson (9)	0-5	0	0-5	0	0-5
G Skuse (10)	0-5	0	0-5	0	0-5
J Stockan	5-10	0	5-10	0	5-10
C Evans (11)	0-5	0	0-5	0	0-5
M McEwen (12)	0-5	0	0-5	0	0-5
I Grieve (13)	5-10	0	5-10	0	5-10
D Campbell (14)	5-10	0	5-10	0	5-10
S Johnston	90-95	0	90-95	28	110-115
F MacKellar	45-50	0	45-50	13	50-55

Note 1: G O'Brien commenced as Chief Executive on 01/11/2018. Gross Salary would represent an annual range of £100,000 to £105,000.

Note 2: G O'Brien acted as Interim Chief Executive for the period 01/01/2018-31/10/2018. He was seconded from Scottish Ambulance Service.

Note 3: Hazel Robertson -resigned as Director of Finance on 31/10/2018. Gross salary would represent an annual range of £80,000 - £85,000.

Note 4: Mark Doyle commenced as Interim Director of Finance with effect from 21/02/2019. His is seconded from NHS Fife and his pension benefits will be disclosed by them.

Note 5: Marthinus 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. Discretionary point arrears paid for previous financial years. Salary for his role as a Medical Director is in the range of £165,000 - £170,000.

Note 6: Louise Wilson, Director of Public Health - Discretionary point arrears paid for previous financial years. Gross salary would represent an annual range of £125,000 to £130,000.

Note 7: Naomi Bremner's term of office ceased as Non-Executive Board Member on 30/11/2018 and transferred to Agenda for Change bank post (to enable the completion of a project) on same salary. Gross salary would represent an annual range of £5,000 - £10,000.

Note 8: Rognvald Johnson's term of office ceased as Non-Executive Board Member on 30/06/2018. Gross salary would represent an annual range of £5,000 - £10,000.

Note 9: Jeremy Richardson's term of office ceased as Non-Executive Board Member on 31/08/2018. Gross salary would represent an annual range of £5,000 - £10,000.

Note 10: Gillian Skuse's term of office ceased as Non-Executive Board Member on 31/05/2018. Gross salary would represent an annual range of £5,000 - £10,000.

Note 11: Caroline Evans commenced as Non-Executive Board Member with effect from 01/09/2018. Gross salary would represent an annual range of £5,000 - £10,000.

Note 12: Meghan McEwen commenced as Non-Executive Board Member with effect from 01/09/2018. Gross salary would represent an annual range of £5,000 - £10,000.

Note 13: Isobel Grieve commenced as Non-Executive Board Member with effect from 01/07/2018. Gross salary would represent an annual range of £5,000 - £10,000.

Note 14: David Campbell commenced as Non-Executive Board Member with effect from 04/06/2018. Gross salary would represent an annual range of £5,000 - £10,000.

FOR THE YEAR ENDED 31 MARCH 2018

	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 (1)	80-85	0	80-85	0	80-85
Chief Executive: Gerry O'Brien (2)	25-30	1	25-30	0	25-30
Director of Nursing, Midwifery and AHP: E Peace (3)	10-15	0	10-15	0	10-15
Director of Nursing, Midwifery and AHP: D McArthur (4)	40-45	0	40-45	15	55-60
Director of Finance: H Robertson	80-85	0	80-85	24	105-110
Medical Director: M Roos (5)	190-195	0	190-195	0	190-195
Director of Public Health: Dr L Wilson	120-125	0	120-125	0	120-125
Non Executive Members					
The Chair: I Kinniburgh	20-25	0	20-25	0	20-25
N Bremner	5-10	0	5-10	0	5-10
D Drever	5-10	0	5-10	0	5-10
S Heddle (6)	0-5	0	0-5	0	0-5
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
J Stockan (7)	5-10	0	5-10	0	5-10
S Johnston (8)	85-90	0	85-90	23	105-110
F MacKellar (9)	45-50	0	45-50	8	50-55

Note 1: C Cowan resigned as Chief Executive on 31/12/2017. Gross salary would represent an annual range of £100,000 - £105,000.

Note 2: G O'Brien commenced as Interim Chief Executive with effect from 1st January 2018. He is seconded from Scottish Ambulance Service and his pension benefits will be disclosed by them.

Note 3: E Peace resigned as Director of Nursing & APS on 31/05/2017. Gross salary would represent an annual range of £75,000 - £80,000.

Note 4: David McArthur commenced as Director of Nursing & AHP with effect from 04/09/2017. Gross salary would represent an annual range of £70,000 - £75,000.

Note 5: 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. Discretionary point arrears paid for previous financial years. Salary for his role as a Medical Director is in the range of £155,000 - £160,000.

Note 6: S Heddle's term of office ceased as Non Executive Director on 30/04/2017. Gross salary would represent an annual range of £5,000 - £10,000.

Note 7: J Stockan commenced as Non-Executive Board Member with effect from 18/05/2017. Gross salary would represent an annual range of £5,000 - £10,000.

Note 8: S Johnston - The remuneration disclosed comprises remuneration for his role as Chair of Area Clinical Forum and his remuneration for his substantive post as a Dentist. The gross remuneration for his role as Non Executive Director would be in the annual range of £5,000 - £10,000.

Note 9: F Mackellar - the remuneration disclosed comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a Physiotherapist. The gross remuneration for her role as a Non Executive Director is in the annual range of £5,000 - £10,000.

PENSION TABLE

FOR THE YEAR ENDED 31 MARCH 2019

	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 65 at 31 March 2019 (Bands of £5,000)	Real Increase in Lump Sum at age 65 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2019 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2018 £'000	Real increase in CETV in year £'000
Chief Executive: G O'Brien	35-40	2.5-5	110-115	2.5-5	834	773	61
Director of Nursing, AHPs & Midwifery : D McArthur	5-10	0-2.5	10-15	(0-2.5)	140	118	23
Director of Finance: H Robertson (1)	25-30	0-2.5	60-65	0-2.5	308	493	-184
Medical Director: M Roos	45-50	0-2.5	135-140	5-7.5	1123	1073	26
Director of Public Health: Dr L Wilson	50-55	0-2.5	150-155	5-7.5	1129	1065	33
Non Executive Director: S Johnston	10-15	0-2.5	0	0	130	112	18
Non Executive Director: F MacKeller	5-10	0-2.5	20-25	0-2.5	172	158	14
						Total	**-9**

FOR THE YEAR ENDED 31 MARCH 2018

	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 65 at 31 March 2018 (Bands of £5,000)	Real Increase in Lump Sum at age 65 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2018 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2017 £'000	Real increase in CETV in year £'000
Chief Executive: C Cowan	45-50	0-2.5	135-140	0-2.5	978	941	26
Director of Nursing, AHPs & Midwifery : E Peace	25-30	(0-2.5)	75-80	(0-2.5)	576	576	-2
Director of Nursing, AHPs & Midwifery : D McArthur	5-10	0-2.5	10-15	(0-2.5)	112	94	18
Director of Finance: H Robertson	25-30	0-2.5	65-70	0-2.5	461	427	34
Medical Director: M Roos (2)	40-45	0-2.5	130-135	2.5-5	965	971	-17
Director of Public Health: Dr L Wilson (3)	45-50	0-2.5	140-145	2.5-5	948	999	22
Non Executive Director: S Johnston	10-15	0-2.5	0	0	105	88	17
Non Executive Director: F MacKeller	5-10	0-2.5	20-25	(0-2.5)	149	138	10
						Total	**108**

Note 1: Hazel Robertson -resigned as Director of Finance on 31/10/2018.

Note 2: M Roos has been restated in 2017/18 as a result of recalculations on his pension from Discretionary point arrears.

Note 3: L Wilson has been restated in 2017/18 as a result of recalculations on her pension from Discretionary point arrears.

Additional Disclosure Required

2018/19		**2017/18**	
Range of staff remuneration (£000s)	7-194	Range of staff remuneration	1-196
Highest Earning Director's Total Remuneration (£000s)	190-195	Highest Earning Director's Total Remuneration (£000s)	190-195
Median Total Remuneration	£27,221	Median Total Remuneration	£25,913
Ratio	7.14	Ratio	7.57
Commentary The values above are based on salaries for full time equivalent pay. The ratio has decreased due to lower numbers of higher earners than 2017/18.			

B) STAFF REPORT

1) Higher Paid Employees Remuneration

2017/18 Number		2018/19 Number
	Clinicians	
4	£70,001 to £80,000	4
3	£80,001 to £90,000	4
1	£90,001 to £100,000	3
3	£100,001 to £110,000	3
1	£110,001 to £120,000	0
2	£120,001 to £130,000	4
3	£130,001 to £140,000	1
2	£140,001 to £150,000	0
2	£150,001 to £160,000	2
0	£160,001 to £170,000	0
0	£170,001 to £180,000	0
0	£180,001 to £190,000	1
2	£190,001 to £200,000	1
1	£200,000 and above	2

	Other	
2	£70,001 to £80,000	3
3	£80,001 to £90,000	1
0	£100,001 to £110,000	0

2) Staff Costs and Numbers

Staff Costs

2017/18		2018/19						
Total £'000	STAFF COSTS	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees £'000	Total £'000
21,339	Salaries and wages	579	214	21,646				22,439
2,148	Taxation and Social security costs	64	20	2,152				2,236
2,680	NHS scheme employers' costs	65	18	2,671				2,754
248	Secondees				418		(96)	322
1,570	Agency staff					1,885		1,885
27,985		708	252	26,469	418	1,885	(96)	29,636
0	Compensation for loss of office or early retirement	0	0	0	0	0	0	0
27,985	**TOTAL**	**708**	**252**	**26,469**	**418**	**1,885**	**(96)**	**29,636**

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure for 2018/19 of £481,000 (2017/18 £570,000).

The Interim Director of Finance is included as an inward secondee above, however, due to being a board member, is also included in the remuneration report.

The staff costs are identified under Note 3a £29.732m and Note 4 income £96,000 (£51,000 relates to other NHS Scotland bodies).

Staff Numbers

561	**Whole Time Equivalent (WTE)**	**5**	**11**	**532**	**6**	**12**	**(1)**	**565**

10	Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:	**9**
5	Included in the total staff numbers above were disabled staff of:	**5**

3) Staff composition

	As at 31 March 2018			As at 31 March 2019		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Executive Directors	3	2	5	4	1	5
Non-Executive Directors and Employee Director	6	3	9	5	4	9
Senior Employees	17	10	27	23	13	36
Other	94	490	584	106	497	603
Total Head Count	**120**	**505**	**625**	**138**	**515**	**653**

4) Sickness absence data

	2017/18	**2018/19**
Sickness absence data	4.9%	4.6%

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

All health boards across NHS Scotland are required to comply with the three aims of the Public Sector General Duty, Equality Act (2010) and (Specific Duties) (Scotland) Regulations 2012, outlined below. The implementation of these legal duties will be monitored by the Equality and Human Rights Commission in Scotland.

The purpose of the Public Sector General Equality Duty is to ensure that all public bodies, including health boards, mainstream equality into their day to day business by proactively advancing equality, encouraging good community relations and addressing discrimination. The current duty requires equality to be considered in relation to key health board functions including the development of internal and external policies, decision making processes, procurement, workforce support, service delivery and improving outcomes for patients/service users.

The Board is committed to ensuring the elimination of all forms of discrimination on the basis of race, disability, age, gender, sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership, religion or beliefs.

Our work in each of these areas is designed to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited under this Act
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The disability policy can be found at the NHS Orkney website.

6) Exit packages

There were no compulsory redundancies in 2018/19 or 2017/18 or exit packages provided in 2017/18.

2018/19

Exit package cost band	**Number of other departures agreed**	**Cost of exit packages £'000**
<£10,000	1	7
Total exit packages	**1**	**7**

C) PARLIAMENTARY ACCOUNTABILITY REPORT

LOSSES AND SPECIAL PAYMENTS

On occasion the Board may be required to write off balances which are no longer recoverable. Losses and special payments over £250k require formal approval to regularise such transactions and their notation in the annual accounts of which none arose in 2018/19 or 2017/18.

There were no special payments written off during 2018/19 or 2017/18, however, the losses accounted for are as follows:-

	2018/19		***2017/18***	
	No. of cases	**£'000**	***No. of cases***	**£'000**
Losses	19	17	17	65

The Board is also required to provide for CNORIS claims notified to it and which will be settled at a future date; details of these provisions can be found in note 13.

FEES AND CHARGES

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

There were no material amounts in 2018/19 or 2017/18.

Signed Date 26 June 2019

Gerry O'Brien
Chief Executive

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Orkney Health Board and its group for the year ended 31 March 2019 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Statement of Consolidated Cash Flows, the Statement of Consolidated Changes in Taxpayers' Equity and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In my opinion the accompanying financial statements:

- Give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2019 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is three years. I am independent of the board and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

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

Gillian Woolman MA FCA CPFA
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

26 June 2019

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2019

Re-stated 2017/18 £'000		Notes	2018/19 £'000
	Total income and expenditure		
28,025	Employee expenditure	3	29,732
	Other operating expenditure:		
5,595	Independent Primary Care Services	3	5,719
6,622	Drugs and medical supplies	3	7,127
52,255	Other health care expenditure	3	52,656
92,497	**Gross Expenditure for the year**		**95,234**
(33,095)	Less: Other Operating Income	4	(34,049)
0	Associates and joint ventures accounted for on an equity basis		(58)
59,402	**Net expenditure for the year**		**61,127**

OTHER COMPREHENSIVE NET EXPENDITURE

2017/18 £'000		2018/19 £'000
(243)	Net (gain)/loss on revaluation of Property Plant and Equipment	(51)
(4)	Net (gain)/loss on revaluation investments	(19)
(247)	Other Comprehensive Expenditure	(70)
59,155	**Comprehensive net expenditure**	**61,057**

The Notes to the Accounts, numbered 1 to 27, form an integral part of these Accounts.
The prior year figures of Other Comprehensive Net Expenditure have been changed in order to reflect the correct information from 2017/18. The comparative information in respect of 2017/18 has been presented above as shown in Note 21a.

SUMMARY OF RESOURCE OUTTURN
FOR THE YEAR ENDED 31 MARCH 2019

SUMMARY OF CORE REVENUE RESOURCE OUTTURN	Notes	2018/19 £'000
Net Operating Costs	SOCNE	**61,127**
Total Non Core Expenditure (see below)	SOCNE	(958)
FHS Non Discretionary Allocation		(1,654)
Donated Assets Income		0
Endowment Net Expenditure		136
Associates and joint ventures accounted for on an equity basis		58
Total Core Expenditure		**58,709**
Core Revenue Resource Limit		58,736
Saving/(excess) against Core Revenue Resource Limit		**27**

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN		
Depreciation/Amortisation		1,208
Annually Managed Expenditure - Impairments	7	254
Annually Managed Expenditure - Provisions		(509)
Annually Managed Expenditure - Depreciation of Donated Assets	2	5
Total Non Core Expenditure		**958**
Non Core Revenue Resource Limit		964
Saving/(excess) against Non Core Revenue Resource Limit		**6**

SUMMARY RESOURCE OUTTURN	Resource £'000	Expenditure £'000	Saving/(Excess) £'000
Core	58,736	58,709	27
Non Core	964	958	6
Total	**59,700**	**59,667**	**33**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

31 March 2018				31 March 2019	
Consolidated £'000	Board £'000		Notes	Consolidated £'000	Board £'000
		Non-Current Assets:			
51,279	51,279	Property, plant and equipment	7c	79,831	79,831
217	217	Intangible assets	6a	200	200
		Financial assets:			
1,007	0	Investments	10	998	0
0	0	Investments in associates and joint ventures		58	0
38,874	38,874	Trade and other receivables	9	60,800	60,800
91,377	**90,370**	**Total non-current assets**		**141,893**	**140,831**
		Current Assets:			
466	466	Inventories	8	479	479
		Financial assets:			
1,355	1,347	Trade and other receivables	9	1,843	1,736
3,120	3,009	Cash and cash equivalents	11	6,378	6,205
41	41	Assets classified as held for sale	7b	41	41
4,982	**4,863**	**Total current assets**		**8,741**	**8,461**
96,359	**95,233**	**Total assets**		**150,634**	**149,292**
		Current liabilities			
(641)	(641)	Provisions	13a	(181)	(181)
		Financial liabilities:			
(15,038)	(15,033)	Trade and other payables	12	(17,323)	(17,321)
(15,679)	**(15,674)**	**Total current liabilities**		**(17,504)**	**(17,502)**
80,680	**79,559**	**Non-current assets plus/less net current assets/liabilities**		**133,130**	**131,790**
		Non-current liabilities			
(1,282)	(1,282)	Provisions	13a	(1,194)	(1,194)
(38,865)	(38,865)	Trade and other payables	12	(60,796)	(60,796)
(40,147)	**(40,147)**	**Total non-current liabilities**		**(61,990)**	**(61,990)**
40,533	**39,412**	**Assets less liabilities**		**71,140**	**69,800**
		Taxpayers' Equity			
38,579	38,579	General fund	SOCTE	68,948	68,948
833	833	Revaluation reserve	SOCTE	852	852
0	0	Other reserves – associates and joint ventures	SOCTE	58	0
1,121	0	Funds held on Trust	SOCTE	1,276	0
40,533	**39,412**	**Total taxpayers' equity**		**71,134**	**69,800**

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

Adopted by the board on 26 June 2019

.....Director of Finance .....Chief Executive

Date: 26 June 2019

STATEMENT OF CONSOLIDATED CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2019

2017/18 £'000		Notes	2018/19 £'000	2018/19 £'000
	Cash flows from operating activities			
(59,402)	Net expenditure	SOCTE	(61,185)	
1,729	Adjustments for non-cash transactions	2a	1,467	
(1,267)	Movements in working capital	2c	3,219	
(58,940)	**Net cash outflow from operating activities**			**(56,499)**
	Cash flows from investing activities			
(31,428)	Purchase of property, plant and equipment		(35,075)	
(53)	Purchase of intangible assets		(50)	
(122)	Investment Additions	10	(118)	
21	Transfer of assets from other NHS Scotland bodies			
0	Proceeds of disposal of property, plant and equipment		0	
110	Receipts from sale of investments		146	
(31,472)	**Net cash outflow from investing activities**			**(35,097)**
	Cash flows from financing activities			
90,383	Funding	SOCTE	91,658	
2,636	Movement in general fund working capital	SOCTE	3,196	
93,019	Cash drawn down		94,854	
93,019	**Net Financing**			**94,854**
2,607	**Net Increase in cash and cash equivalents in the period**			3,258
513	**Cash and cash equivalents at the beginning of the period**			3,120
3,120	**Cash and cash equivalents at the end of the period**			**6,378**
	Reconciliation of net cash flow to movement in net debt/cash			
2,607	Increase in cash in year			3,258
513	Net debt/cash at 1 April			3,120
3,120	**Net debt/cash at 31 March**			**6,378**

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

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	General Fund £'000	Revaluation Reserve £'000	IJB Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2018		**38,579**	**833**	**0**	**1,121**	**40,533**
Changes in taxpayers' equity for 2018-19						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a	0	56	0	0	56
Net gain/(loss) on revaluation of investments	10	0	0	0	19	19
Impairment of property, plant and equipment		0	(259)	0	0	(259)
Impairment of intangible assets	6	0	0	0	0	0
Revaluation and impairments taken to operating Costs	2a	0	254	0	0	254
Transfers between reserves		32	(32)	0	0	0
Other non cash costs - transfer of asset NHS Highland		0	0	0	0	0
Net operating cost for the year	SOCNE	(61,321)	0	58	136	(61,127)
Total recognised income and expense for 2018-19		(61,289)	19	58	155	(61,057)
Funding:						
Drawn down		94,854	0	0	0	94,854
Movement in General Fund (Creditor) / Debtor	CFS	(3,196)	0	0	0	(3,196)
Balance at 31 March 2019	SoFP	**68,948**	**852**	**58**	**1,276**	**71,134**

FOR THE YEAR ENDED 31 MARCH 2018

Balance at 31 March 2017		**7,532**	**622**	**0**	**1,151**	**9,305**
Changes in taxpayers' equity for 2017-18						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a	0	45	0	0	45
Net gain/(loss) on revaluation of investments	10	0	0	0	(18)	(18)
Impairment of property, plant and equipment		0	(277)	0	0	(277)
Impairment of intangible assets	6	0	(18)	0	0	(18)
Revaluation and impairments taken to operating Costs	2a	0	493	0	0	493
Transfers between reserves		32	(32)	0	0	0
Other non cash costs - transfer of asset NHS Highland		22	0	0	0	22
Net operating cost for the year	SOCNE	(59,390)	0	**0**	(12)	(59,402)
Total recognised income and expense for 2017-18		**(59,336)**	**211**	0	**(30)**	**(59,155)**
Funding:						
Drawn down		93,019	0	0	0	93,019
Movement in General Fund (Creditor) / Debtor	CFS	(2,636)	0	0	0	(2,636)
Balance at 31 March 2018	SoFP	**38,579**	**833**	**0**	**1,121**	**40,533**

The Notes to the Accounts, numbered 1 to 27, 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 (FReM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

Disclosure of New Accounting Standards

(a) New standards in 2018/19:

There are no new standards, amendments and interpretations that became effective in 2018/19 for the first time.

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

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

(c) Standards issued but not yet effective:

The following standards have been issued but are not yet effective:

- IFRS 10 and IAS 28 – Sale or contribution of Assets between an investor and its associates or joint (amendment);
- IFRS 14 – Regulatory Deferral Accounts (new);
- IFRS 16 – Leases (IAS 17 replacement);
- IFRS 17 Insurance Contracts (new).
- IAS 7 - Disclosure Initiative (issued in January 2016) (amendment); and
- IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016) (amendment).

Following a recommendation from HM Treasury, the application of IFRS 16, the revised standard for lease accounting, has been deferred one year and will now be effective from financial year 2020/21. Implementation of IFRS 16 will require most leased buildings, plant and equipment to be included in the Statement of Financial Position as a “right to use” asset and a corresponding liability. This is a departure from the current accounting standard (IAS 17) which differentiates between an operating lease and a finance lease with the cost of all operating leases charged annually to operating costs. Work is underway to accurately quantify the impact of adoption of this new standard which is expected to have a material impact on the value of assets and liabilities reported in the Board’s Financial Statements.

The impact on the financial statements as a result of the above is expected to be minimal.

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 intra-group transactions between the Board and the Endowment Fund have been eliminated on consolidation.

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

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

Note 26 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

3. Prior Year Adjustments

There were no prior year adjustments.

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 for NHS Orkney 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 is amortised over their expected useful life
2) software licences are amortised over the shorter term of the licence and their useful economic lives.
3) other intangible assets are amortised over their expected useful life.
4) intangible assets which have been reclassified as 'Held for Sale' cease to be amortised upon 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 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 24 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

20. Value Added Tax

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

21. NPD Schemes

NHS Orkney has a Non Profit Distributing (NPD) scheme which is agreed with the Scottish Government for completion in 2019/20.

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 14 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 14, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

24. Corresponding Amounts

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

25. Financial Instruments

Financial assets

Classification

The Board classifies its financial assets in the following categories: 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 3.

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.

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.
- judgement: whether substantially all the significant risks and rewards of ownership of financial assets and leased assets are transferred to NHS Orkney.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2019

2. Notes to the cash flow statement

2a. Consolidated adjustments for non-cash transactions

2017/18 £'000		2018/19 £'000	Notes
	Expenditure Not Paid In Cash		
1,168	Depreciation	1,141	7a
59	Amortisation	67	6
10	Depreciation of Donated Assets	5	7a
346	Impairments on PPE charged to SoCNE	254	
198	Net revaluation on PPE charged to SoCNE	0	
(69)	Reversal of impairments on PPE charged to SOCNE	0	
18	Impairments on intangible assets charged to SoCNE	0	6
(1)	Loss/(Profit) on disposal of property, plant and equipment	0	
1,729	**Total Expenditure Not Paid In Cash**	**1,467**	CFS

2b. Interest payable recognised in operating expenditure

There was no interest payable in 2017/18 or 2018/19.

2c. Consolidated movements in working capital

2017/18		2018/19			
Net Movement £'000		Opening Balances £'000	Closing Balances £'000	Net Movement £'000	Notes
	INVENTORIES				
78	Balance Sheet	466	479		8
78	**Net Decrease/(Increase)**			**(13)**	
	TRADE AND OTHER RECEIVABLES				
271	Due within one year	1,355	1,843		9
(38,864)	Due after more than one year	38,874	60,800		9
		40,229	62,643		
(38,593)	**Net Decrease/(Increase)**			**(22,414)**	
	TRADE AND OTHER PAYABLES				
9,403	Due within one year	15,038	17,323		12
38,865	Due after more than one year	38,865	60,796		
(8,860)	Less: Property, Plant & Equipment (Capital) included in above	(8,687)	(3,513)		
(2,636)	Less: General Fund Creditor included in above	(3,009)	(6,205)		
		42,207	68,401		
36,772	**Net Increase/(Decrease)**			**26,194**	
	PROVISIONS				
476	Statement of Financial Position	1,923	1,375		13a
476	**Net Increase**			**(548)**	
(1,267)	**NET MOVEMENT Increase/(Decrease)**			**3,219**	CFS

3. Operating expenses
3a. Staff Costs

2017/18 £'000		2018/19 £'000	Notes
7,438	Medical and Dental	7,611	
8,571	Nursing	9,658	
12,016	Other Staff	12,463	
28,025	**Total**	**29,732**	SOCNE

3b. Other operating expenditure

Re-stated 2017/18		2018/19	
		Board	Consolidated
£'000		£'000	£'000
	Independent Primary Care Services:		
3,685	General Medical Services	3,675	3,675
609	Pharmaceutical Services	659	659
1,008	General Dental Services	1,092	1,092
293	General Ophthalmic Services	293	293
5,595	**Total Independent Primary Care Services**	**5,719**	**5,719**
	Drugs and medical supplies:		
3,898	Prescribed drugs and appliances - Primary Care	3,864	3,864
1,595	- Secondary Care	2,095	2,095
1,129	Medical Supplies	1,168	1,168
6,622	**Total Drugs and medical supplies**	**7,127**	**7,127**
	Other health care expenditure		
31,358	Contribution to Integrated Joint Boards	32,246	32,246
7,718	Goods and services from other NHS Scotland bodies	7,566	7,566
50	Goods and services from other UK NHS bodies	81	81
743	Goods and services from private providers	892	892
90	Goods and services from voluntary organisations	91	91
2,141	Resource Transfer	2,145	2,145
10,019	Other operating expenses	9,520	9,520
71	Auditor's remuneration - statutory audit fee	71	71
65	Endowment Fund expenditure	0	44
52,255	**Total Other health care expenditure**	**52,612**	**52,656**
64,472	**Total**	**65,458**	**65,502**

Prior year pharmaceutical services have been adjusted due to analysis review of expenditure categories.

4. Operating Income

2017/18		2018/19		
		Board	Consolidated	
£'000		£'000	£'000	Notes
0	Income from Scottish Government	52	52	
600	Income from other NHS Scotland bodies	535	535	
125	Income from NHS non-Scottish bodies	179	179	
31,358	Income for services commissioned by Integrated Joint Board (IJB)	32,246	32,246	
400	Patient charges for primary care	388	388	
1	Profit on disposal of assets	0	0	
0	Contributions in respect of clinical and medical negligence claims	0	0	
	Non NHS:			
32	Overseas patients (non-reciprocal)	83	83	
53	Endowment Fund Income	0	180	
526	Other	386	386	
33,095	**Total Income**	**33,869**	**34,049**	SOCNE

5. Segmental Information

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

	Hospital Services	Pharmacy & Drugs Costs	IJB	Dental, Ophthalmic and Pharmacy NCL	External Commissioning	Estates & Facilities	Support Services
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2018/19 Net operating cost	13,698	2,456	23,015	1,654	10,922	3,560	5,057
2017/18 Net operating cost	12,018	2,001	22,968	1,545	10,444	3,384	4,814

	Annually Managed Expenditure	Depreciation	Total
	£'000	£'000	£'000
2018/19 Net operating cost	(250)	1,208	**61,320**
2017/18 Net operating cost	1,000	1,228	**59,402**

6. Intangible Assets

Movements in 2018/19	Notes	Software Licences £'000	Assets Under Development £'000	Total £'000
Cost or Valuation:				
As at 1st April 2018		1,132	0	1,132
Additions		50	0	50
Completions		0	0	0
Transfers		0	0	0
Impairment charges		0	0	0
At 31st March 2019		**1,182**	**0**	**1,182**
Amortisation				
As at 1st April 2018		915	0	915
Provided during the year		67	0	67
At 31st March 2019		**982**	**0**	**982**
Net Book Value at 1st April 2018		**217**	**0**	**217**
Net Book Value at 31 March 2019	SoFP	**200**	**0**	**200**

Movements in 2017/18	Notes	Software Licences £'000	Assets Under Development £'000	Total £'000
Cost or Valuation:				
As at 1st April 2017		1,048	0	1,048
Additions	2	53	0	53
Completions		49	(49)	0
Transfers		0	49	49
Impairment charges		(18)	0	(18)
At 31st March 2018		**1,132**	**0**	**1,132**
Amortisation				
As at 1st April 2017		856	0	856
Provided during the year		59	0	59
At 31st March 2018		**915**	**0**	**915**
Net Book Value at 1st April 2017		**192**	**0**	**192**
Net Book Value at 31 March 2018	SoFP	**217**	**0**	**217**

7(a). Property, Plant and Equipment – Purchased Assets
Current Year Purchased Assets

Movements in 2018/19	Notes	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 2018		1,896	5,026	371	435	6,663	3,406	193	44,097	62,087
Additions		0	86	0	0	107	39	50	29,619	29,901
Completions		0	31	0	0	32	38	0	(101)	0
Transfers between asset categories		0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale		0	0	0	0	0	0	0	0	0
Revaluation		0	56	1	0	0	0	0	0	57
Impairment charges		0	(97)	0	0	(69)	(38)	(50)	0	(254)
Impairment reversals		0	0	0	0	0	0	0	0	0
Disposals		0	0	0	0	0	0	0	0	0
At 31 March 2019		**1,896**	**5,102**	**372**	**435**	**6,733**	**3,445**	**193**	**73,615**	**91,791**
Depreciation										
At 1 April 2018		0	1,744	48	320	5,590	2,935	171	0	10,808
Provided during the year-purchased		0	656	22	37	284	138	4	0	1,141
-donated		0	4	0	0	1	0	0	0	5
Transfers (to) / from non-current assets held for sale		0	0	0	0	0	0	0	0	0
Revaluation		0	5	1	0	0	0	0	0	6
Impairment charges		0	0	0	0	0	0	0	0	0
Impairment reversals		0	0	0	0	0	0	0	0	0
Disposals		0	0	0	0	0	0	0	0	0
At 31 March 2019		**0**	**2,409**	**71**	**357**	**5,875**	**3,073**	**175**	**0**	**11,960**
Net book value at 1 April 2018		**1,896**	**3,282**	**323**	**115**	**1,073**	**471**	**22**	**44,097**	**51,279**
Net book value at 31 March 2019	SoFP	**1,896**	**2,693**	**301**	**78**	**858**	**372**	**18**	**73,615**	**79,831**

Open Market Value of Land in Land and Dwellings Included Above	1,896	301

Asset financing:

Owned-purchased		1,896	2,693	301	78	857	372	18	11,625	17,840
-donated		0	0	0	0	1	0	0	0	1
On-balance sheet NPD contracts		0	0	0	0	0	0	0	61,990	61,990
Net book value at 31 March 2019	SoFP	**1,896**	**2,693**	**301**	**78**	**858**	**372**	**18**	**73,615**	**79,831**

Prior year Purchased Assets

Movements in 2017/18	Notes	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 2017		1,836	5,088	489	443	6,545	3,325	208	4,610	22,544
Additions		0	104	0	22	179	81	0	39,902	40,288
Completions		0	347	0	0	19	0	0	(366)	0
Transfers between asset categories		0	0	0	0	0	0	0	(49)	(49)
Transfers (to) / from non-current assets held for sale		(10)	0	(38)	0	0	0	0	0	(48)
Revaluation		45	0	0	0	0	0	0	0	45
Impairment charges		0	(513)	(93)	0	(80)	0	(15)	0	(701)
Impairment reversals		25	0	13	0	0	0	0	0	38
Disposals		0	0	0	(30)	0	0	0	0	(30)
At 31 March 2018		**1,896**	**5,026**	**371**	**435**	**6,663**	**3,406**	**193**	**44,097**	**62,087**
Depreciation										
At 1 April 2017		0	1,371	102	315	5,298	2,793	175	0	10,054
Provided during the year-purchased		0	669	29	36	290	138	6	0	1,168
-donated		0	3	0	0	3	4	0	0	10
Transfers (to) / from non-current assets held for sale		0	0	(7)	0	0	0	0		(7)
Impairment charges		0	(299)	(45)	0	(1)	0	(10)	0	(355)
Impairment reversals		0	0	(31)	0	0	0	0		(31)
Disposals		0	0	0	(31)	0	0	0	0	(31)
At 31 March 2018		**0**	**1,744**	**48**	**320**	**5,590**	**2,935**	**171**	**0**	**10,808**
Net book value at 1 April 2017		**1,836**	**3,717**	**387**	**128**	**1,247**	**532**	**33**	**4,610**	**12,490**
Net book value at 31 March 2018	SoFP	**1,896**	**3,282**	**323**	**115**	**1,073**	**471**	**22**	**44,097**	**51,279**

Open Market Value of Land in Land and Dwellings Included Above	**1,896**	**323**

Asset financing:

Owned-purchased	1,896	3,278	323	115	1,071	471	22	5,232	12,408
-donated	0	4	0	0	2	0	0	0	6
On-balance sheet NPD contracts	0	0	0	0	0	0	0	38,865	38,865
Net book value at 31 March 2018 SoFP	**1,896**	**3,282**	**323**	**115**	**1,073**	**471**	**22**	**44,097**	**51,279**

7(b). Assets Held for Sale

The following asset related to NHS Orkney was presented as held for sale following the approval by NHS Orkney Board:

Bayview, Longhope.

Movements in 2018/19	Notes	Property, Plant & Equipment £'000
At 1 April 2018		**41**
Transfers from property, plant and equipment		0
As at 31 March 2019	SoFP	41

Movements in 2017/18	Property, Plant & Equipment £'000
At 1 April 2017	**0**
Transfers from property, plant and equipment	41
As at 31 March 2018 SoFP	**41**

7(c). Property, Plant and Equipment Disclosures

2017/18 £'000		2018/19 £'000	Notes
	Net book value of property, plant and equipment at 31 March		
51,273	Purchased	79,830	
6	Donated	1	
51,279	**Total**	**79,831**	SoFP

1,826	Net book value related to land valued at open market value at 31 March	1,896

330	Net book value related to buildings valued at open market value at 31 March	301

38,865	Total value of assets held under NPD contract	61,990

All land and buildings were revalued by an independent valuer, the Valuation Office Agency, as at 31/03/2018 on the basis of fair value (market value or depreciated replacement costs where appropriate). As at 31/03/2019 the values were index linked. These values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was an increase of £0.051m (2017/18: an increase of £0.243m) which was credited to the revaluation reserve. Impairment of £0.254m (2016-17: £0.491m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

The movement on Purchased assets of £23.125m contains the New Hospital and Healthcare Facility as an asset under construction, as an on balance sheet NPD contract, bringing the Asset under construction balance to £61.990m. The construction cost is £62.3m with an estimated value of £60m, which will be impaired in 2019/20.

7(d). Analysis of Capital Expenditure

2017/18 £'000		2018/19 £'000	Notes
	EXPENDITURE		
53	Acquisition of Intangible Assets	50	6
40,288	Acquisition of Property, plant and equipment	29,901	7a
40,341	**Gross Capital Expenditure**	**29,951**	
	INCOME		
(1)	Net book value of disposal of Property, plant and equipment	0	7a
0	Value of disposal of Non-Current Assets held for sale	0	
(1)	**Capital Income**	**0**	

40,342	**Net Capital Expenditure**	**29,951**

SUMMARY OF CAPITAL RESOURCE OUTTURN

40,342	Core capital expenditure included above	29,951
40,342	Core Capital Resource Limit	29,951
0	**Saving/(excess) against Core Capital Resource Limit**	**0**
40,342	Total Capital Expenditure	29,951
40,342	Total Capital Resource Limit	29,951

0	**Saving/(excess) against Total Capital Resource Limit**	**0**

8. Inventories

2017/18 £'000		Notes	2018/19 £'000
466	Raw Materials and Consumables		479
466	**Total Inventories**	SoFP	**479**

9. Trade and Other Receivables

Consolidated 2017/18 £'000	Board 2017/18 £'000		Consolidated 2018/19 £'000	Board 2018/19 £'000	Notes
		Receivables due within one year			
		NHS Scotland			
146	146	Boards	75	75	
146	**146**	**Total NHS Scotland Receivables**	**75**	**75**	
24	24	NHS Non-Scottish Bodies	26	26	
693	693	VAT recoverable	207	207	
311	311	Prepayments	1,365	1,365	
163	163	Other Receivables	50	50	
10	10	Other Public Sector Bodies	13	13	
8	0	Endowments consolidation	107	0	
1,355	**1,347**	**Total Receivables due within one year**	**1,843**	**1,736**	SoFP
		Receivables due after more than one year			
		NHS Scotland			
38,870	38,870	Prepayments	60,796	60,796	
4	4	Accrued income	4	4	
38,874	**38,874**	**Total Receivables due after more than one year**	**60,800**	**60,800**	SoFP
40,229	**40,221**	**TOTAL RECEIVABLES**	**62,643**	**62,536**	
92	92	The total receivables figure above includes a provision for impairments of :	0	0	
		WGA Classification			
146	146	NHS Scotland	75	75	
694	694	Central Government Bodies	215	215	
8	8	Whole of Government Bodies	2	2	
24	24	Balances with NHS Bodies in England and Wales	26	26	
39,357	39,349	Balances with bodies external to Government	62,325	62,218	
40,229	**40,221**	**Total**	**62,643**	**62,536**	

2017/18 £'000	2017/18 £'000	Movements on the provision for impairment of receivables are as follows:	2018/19 £'000	2018/19 £'000
88	88	At 1 April	92	92
4	4	Provision for impairment	0	0
(1)	(1)	Receivables written off during the year as uncollectible	(4)	(4)
1	1	Unused amounts reversed	(88)	(88)
92	**92**	At 31 March	**0**	**0**

Long and short term prepayments represent the New Hospital and Healthcare prepayment of £61.990m (2018/19 £38.865m).

There was no impairment provided for as of 31 March 2019 (2018: £92,000). The ageing of these receivables is as follows:

2017/18 £'000		2018/19 £'000
0	3 to 6 months past due	0
92	Over 6 months past due	0
92		**0**

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2019, receivables with a carrying value of £0.531 million (2018: £1.353 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Consolidated 2017/18	Board 2017/18		Consolidated 2018/19	Board 2018/19
1,361	1,353	Up to 3 months past due	638	531
0	0	3 to 6 months past due	10	10
95	95	Over 6 months past due	5	5
1,456	**1,448**		**653**	**546**

The receivables assessed as past due but not impaired were mainly NHS Scotland Health Boards, 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.

10. Investments

2017/18 £'000		2018/19 £'000	Notes
65	Government securities	80	
942	Other	918	
1,007	**TOTAL**	**998**	SoFP
1,012	At 1 April	1,007	
122	Additions	118	CFS
(109)	Disposals	(146)	
(18)	Revaluation surplus/(deficit) transferred to equity	19	SOCTE
1,007	At 31 March	**998**	
1,007	Non-current	998	SoFP
1,007	At 31 March	**998**	
0	The carrying value includes an impairment provision of	**0**	

All the transactions relate to the endowment funds.

11. Cash and Cash Equivalents

2017/18 £'000		2018/19 £'000	Notes
513	Balance at 1 April	3,120	
2,607	Net change in cash and cash equivalent balances	3,258	CFS
3,120	**Balance at 31 March**	**6,378**	SoFP
3,120	**Total Cash – Cash Flow Statement**	**6,378**	

2,989	Government Banking Service	6,185
20	Commercial banks and cash in hand	20
111	Endowment cash	173
3,120	**Balance at 31 March**	**6,378**

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

12. Trade and Other Payables

Consolidated 2017/18 £'000	Board 2017/18 £'000		Consolidated 2018/19 £'000	Board 2018/19 £'000	Notes
		Payables due within one year			
		NHS Scotland			
0	0	SGHSCD	7	7	
588	588	Boards	2,246	2,246	
588	**588**	**Total NHS Scotland Payables**	**2,253**	**2,253**	
20	20	NHS Non-Scottish Bodies	55	55	
3,009	3,009	Amounts Payable to General Fund	6,205	6,205	
571	571	FHS Practitioners	618	618	
395	395	Trade Payables	1,121	1,121	
9,356	9,356	Accruals	4,455	4,455	
547	547	Income tax and social security	583	583	
374	374	Superannuation	405	405	
107	107	Holiday Pay Accrual	152	152	
66	66	Other Public Sector Bodies	280	280	
0	0	Other payables - NPD	1,194	1,194	
5	0	Endowments Consolidation	2	0	
15,038	**15,033**	**Total Payables due within one year**	**17,323**	**17,321**	SoFP
		Payables due after more than one year			
38,865	38,865	Other payables - NPD	60,796	60,796	
53,903	**53,898**	**TOTAL PAYABLES**	**78,119**	**78,117**	

		WGA Classification			
588	588	NHS Scotland	2,246	2,246	
921	921	Central Government Bodies	590	590	
65	65	Whole of Government Bodies	282	282	
20	20	Balances with NHS Bodies in England and Wales	55	55	
52,309	52,304	Balances with bodies external to Government	74,946	74,944	
53,903	**53,898**	**Total**	**78,119**	**78,117**	

Long and short term other payables represent the New Hospital and Healthcare liability of £61.990m

All carrying amounts of payables are denominated in pounds sterling

13. Provisions

Movements in 2018/19	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000
At 1 April 2018	356	5	1,062	500	1,923
Arising during the year	12	0	165	0	177
Utilised during the year	(27)	0	(47)	(500)	(574)
Unwinding of Discount	0	0	(2)	0	(2)
Reversed unutilised	(13)	(5)	(131)	0	(149)
At 31 March 2019	**328**	**0**	**1,047**	**0**	**1,375**

Analysis of expected timing of discounted flows to 31 March 2019

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000	Notes
Payable in one year	27	0	154	0	181	SoFP
Payable between 2 - 5 years	0	0	527	0	527	
Payable between 6 - 10 years	0	0	45	0	45	
Thereafter	301	0	321	0	622	
At 31 March 2019	**328**	**0**	**1,047**	**0**	**1,375**	

Movements in 2017/18	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000
At 1 April 2017	366	0	1,002	79	1,447
Arising during the year	19	5	147	500	671
Utilised during the year	(29)	0	(29)	(50)	(108)
Unwinding of Discount	0	0	(3)	0	(3)
Reversed unutilised	0	0	(55)	(29)	(84)
At 31 March 2018	**356**	**5**	**1,062**	**500**	**1,923**

Analysis of expected timing of discounted flows to 31 March 2018

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000	Notes
Payable in one year	29	5	107	500	641	SoFP
Payable between 2 - 5 years	327	0	410	0	737	
Payable between 6 - 10 years	0	0	15	0	15	
Thereafter	0	0	530	0	530	
At 31 March 2018	**356**	**5**	**1,062**	**500**	**1,923**	

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 0.29% 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 decides 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.

Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

2017/18 £'000		2018/19 £'000	Notes
5	Provision recognising individual claims against the NHS Board as at 31 March	0	13
0	Associated CNORIS receivable at 31 March	0	9
1,062	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	1,047	13
1,067	**Net Total Provision relating to CNORIS at 31 March**	**1,047**	

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 third line above.

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

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

14. Contingent Liabilities

There are no contingent liabilities in 2018/19 or 2017/18.

15. Events after the end of the reporting year

The construction cost to 31 March 2019 for the New Hospital and Healthcare Facility is shown in note 7a as an asset under construction of £61.99m and has a total cost of £62.30m by 2019/20. The estimated value of the building is £60.00m, which will result in an impairment of £2.30m in 2019/20.

16. Capital Commitments

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

2017/18 Property, plant and equipment: £'000		2018/19 Property, plant and equipment: £'000
	Contracted	
23,583	New Hospital and Healthcare Facility	310
1,320	New Healthcare Facility Equipment	940
24,903	**Total**	**1,250**

17. Commitments under leases

2017/18 £'000	Operating Leases	2018/19 £'000
	Obligations under operating leases comprise:	
	Land	
16	Not later than one year	16
16	Later than one year, not later than 2 years	7
31	Later than two year, not later than five years	7
0	Later than five years	0
	Buildings	
129	Not later than one year	154
115	Later than one year, not later than 2 years	80
229	Later than two year, not later than five years	136
0	Later than five years	0
	Other	
4	Not later than one year	1
0	Later than one year, not later than 2 years	0
0	Later than two year, not later than five years	0

Amounts charged to Operating Costs in the year were:

11	Hire of equipment (including vehicles)	11
155	Other operating leases	173
166	**Total**	**184**

There are no finance leases within NHS Orkney.

18. Commitments under NPD contracts

The accounting treatment reflects the nature of the contract, which is a Non Profit Distribution (NPD) scheme with a funding variant. As agreed in the business case this asset is on the public sector Balance Sheet as a Fixed Asset (Under Construction until in use). The prepayment of the Annual Service Payment (ASP) is recognised as a long term debtor, and the requirement to pay the ASP over the 25 year period of the contract is recognised as a long term liability. The assessed value at end March 2019 is £61.990m of a prepayment schedule of £62.300m.

19. Pension Costs

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2018-19 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland)

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

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

Further information is available on the Scottish Public Pensions Agency (SPPA) web site at www.sppa.gov.uk

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National Employment Savings Trust (NEST)

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

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

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

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

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

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

2017/18 £'000		2018/19 £'000
2,980	Pension cost charge for the year	3,082
6	Additional Costs arising from early retirement	(12)
356	Provisions/Liabilities/Pre-payments included in the Balance Sheet	328

20. Retrospective Restatements

There were no prior year adjustments.

21. Restated Primary Statements

21(a). Restated SOCNE

	Previous Accounts £'000	Adjustment £'000	These Accounts £'000
Total income and expenditure			
Employee expenditure	28,025		28,025
Other operating expenditure:			
Independent Primary Care Services	5,087	508	5,595
Drugs and medical supplies	7,130	(508)	6,622
Other health care expenditure	52,255		52,255
Less: Other Operating Income	(33,095)		(33,095)
Net expenditure for the year	**59,402**	**0**	**59,402**

The prior year figures have been changed in order to reflect coding analysis consistency in 2017/18. The comparative information in respect of 2017/18 has been presented as shown in the SOCNE.

22. Financial Instruments

22(a). Financial Instruments by Category

Financial Assets	Consolidated			Board	
2018/19	Loans and Receivables £'000	Available for Sale £'000	Total £'000	Loans and Receivables £'000	Notes
At 31 March 2019 Assets per Consolidated Statement of Financial Position					
Investments	0	998	998	0	10
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	200	0	200	93	9
Cash and cash equivalents	6,378	0	6,378	6,205	11
	6,578	**998**	**7,576**	**6,298**	

	Consolidated			Board	
2017/18	Loans and Receivables £'000	Available for Sale £'000	Total £'000	Loans and Receivables £'000	Notes
At 31 March 2018 Assets per Consolidated Statement of Financial Position					
Investments	0	1,007	1,007	0	10
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	209	0	209	201	9
Cash and cash equivalents	3,120	0	3,120	3,009	11
	3,329	**1,007**	**4,336**	**3,210**	

Financial Liabilities	Consolidated	Board	
2018/19	Other financial liabilities £'000	Other financial liabilities £'000	Notes
At 31 March 2019 **Liabilities per Consolidated Statement of Financial Position**			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	74,877	74,875	12
	74,877	**74,875**	

	Consolidated	Board	
2017/18	Other financial liabilities £'000	Other financial liabilities £'000	Notes
At 31 March 2018 **Liabilities per Consolidated Statement of Financial Position**			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	13,529	13,524	12
	13,529	**13,524**	

22(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 2019 was £74.877m (31 March 2018 was £13.524m).

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.

23. Derivative Financial Instruments

NHS Orkney does not have any derivative financial instruments.

24. Related Party Transactions

Meghan McEwen is Funding & Development Worker for Voluntary Action Orkney (VAO). In year NHS Orkney received invoices from VAO for £65,838.34. At 31 March 2019 £65,763.48 was due by NHS Orkney.

The directors of the Board are also Trustees of Orkney Health Board Endowment funds. At 31 March 2019 there were outstanding debts of £791.42 due to NHS Orkney and nil due by NHS Orkney.

The Integrated Joint Board expenditure in 2018/19 was £32.246m (2017/18: £31.358m).

25. 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 2018/19 or 2017/18.

26(a). Consolidated Statement of Comprehensive Net Expenditure

2017/18			2018/19			
Group £'000		Notes	Board £'000	IJB £'000	Endowments £'000	Consolidated £'000
	Total income and expenditure					
28,025	Staff costs	N3	29,732	0	0	29,732
	Other operating expenditure:	N3				
5,595	Independent Primary Care Services		5,719	0	0	5,719
6,622	Drugs and medical supplies		7,127	0	0	7,127
52,255	Other health care expenditure		52,612	0	44	52,656
92,497	**Gross Expenditure for the year**		95,190	0	44	95,234
(33,095)	Less: Other Operating Income	N4	(33,869)	0	(180)	(34,049)
0	Associates and joint ventures accounted for on an equity basis	N4	0	(58)	0	(58)
59,402	**Net Operating Costs**		**61,321**	**(58)**	**(136)**	**61,127**

26(b). Consolidated Statement of Financial Position

2017/18			2018/19			
Consolidated			Board	IJB	Endowment	Consolidated
£'000		Notes	£'000	£'000	£'000	£'000
	Non-current assets:					
51,279	Property, plant and equipment	SoFP	79,831	0	0	79,831
217	Intangible assets	SoFP	200	0	0	200
	Financial assets:					
1,007	Investments	SoFP	0	0	998	998
0	Associates and joint ventures accounted for on an equity basis	26a	0	58	0	58
38,874	Trade and other receivables	SoFP	60,800	0	0	60,800
91,377	**Total non-current assets**		**140,831**	**58**	**998**	**141,887**
	Current Assets:					
466	Inventories	SoFP	479	0	0	479
	Financial assets:			0		
1,355	Trade and other receivables	SoFP	1,736	0	107	1,843
3,120	Cash and cash equivalents	SoFP	6,205	0	173	6,378
41	Assets classified as held for sale	SoFP	41	0	0	41
4,982	**Total current assets**		**8,461**	**0**	**280**	**8,741**
96,359	**Total assets**		**149,292**	**58**	**1,278**	**150,628**
(641)	Provisions	SoFP	(181)	0	0	(181)
	Financial liabilities:					
(15,038)	Trade and other payables	SoFP	(17,321)	0	(2)	(17,323)
(15,679)	**Total current liabilities**		**(17,502)**	**0**	**(2)**	**(17,504)**
80,680	**Non-current assets plus/less net current assets/liabilities**		**131,790**	**58**	**1,276**	**133,124**
	Non-current liabilities					
(1,282)	Provisions	SoFP	(1,194)	0	0	(1,194)
(38,865)	Trade and other payables		(60,796)	0	0	(60,796)
(40,147)	**Total non-current liabilities**		**(61,990)**	0	**0**	**(61,990)**
40,533	**Assets less liabilities**		**69,800**	**58**	**1,276**	**71,134**
	Taxpayers' Equity					
38,579	General fund	SoFP	68,948	0	0	68,948
833	Revaluation reserve	SoFP	852	0	0	852
0	Other reserves – IJB joint venture	SoFP	0	58	0	58
1,121	*Funds Held on Trust*	*SoFP*	0	0	1,276	1,276
40,533	**Total taxpayers' equity**		**69,800**	58	**1,276**	**71,134**

26(c). Consolidated Statement of Cash Flows

2017/18		2018/19		
Consolidated £'000		Board £'000	Endowment £'000	Group £'000
	Cash flows from operating activities			
(59,402)	Net operating cost	(61,320)	136	(61,184)
1,729	Adjustments for non-cash transactions	1,467	0	1,467
(1,267)	Movements in working capital	3,218	0	3,218
(58,940)	**Net cash outflow from operating activities**	**(56,635)**	**136**	**(56,499)**
	Cash flows from investing activities			
(31,428)	Purchase of property, plant and equipment	(35,075)	0	(35,075)
(53)	Purchase of intangible assets	(50)	0	(50)
(122)	Investment Additions	0	(118)	(118)
21	Transfer of assets from other NHS bodies	0	0	0
0	Proceeds of disposal of property, plant and equipment	0	0	0
110	Receipts from sale of investments	0	146	146
(31,472)	**Net cash outflow from investing activities**	**(35,125)**	**28**	**(35,097)**
	Cash flows from financing activities			
90,383	Funding	91,658	0	91,658
2,636	Movement in general fund working capital	3,297	(101)	3,196
93,019	Cash drawn down	94,955	(101)	94,854
93,019	**Net Financing**	**94,955**	**(101)**	**94,854**
2,607	**Net Increase / (decrease) in cash and cash equivalents in the period**	3,195	63	3,258
513	**Cash and cash equivalents at the beginning of the period**	3,009	111	3,120
3,120	**Cash and cash equivalents at the end of the period**	**6,204**	**174**	**6,378**
	Reconciliation of net cash flow to movement in net debt/cash			
2,607	Increase/(decrease) in cash in year	3,195	63	3,258
513	Net debt/cash at 1 April	3,009	111	3,120
3,120	**Net debt/cash at 31 March**	**6,204**	**174**	**6,378**

27. Impact of newly adopted IFRS on the Financial Statements

27(a). Adoption of IFRS9

The Board has adopted IFRS 9 Financial Instruments for the first time in 2018-19. In accordance with HM Treasury's Financial Reporting Manual (FReM), the Board has adopted the modified transitional approach and therefore the 2017-18 financial statements are as previously reported. Under the modified approach, the cumulative impact of initial application of the standard is recognised at 1 April 2018 with no restatement of prior periods.

The Board has assessed the business models for managing financial assets and analysed their cash flow characteristics.

This has no impact to the primary financial statements of applying the standard.

27(b). Adoption of IFRS15

The Board has adopted IFRS 15 Revenue from Contracts with Customers for the first time in 2018-19. The majority of the Board's transactions are unaffected by IFRS 15 however, where it is applied, this leads to a difference in the timing of recognising revenue. In accordance with HM Treasury's Financial Reporting Manual (FReM), the Board has adopted the modified transitional approach and therefore the 2017-18 financial statements are as previously reported. Under the modified approach, the cumulative impact of initial application of the standard is recognised at 1 April 2018 with no restatement of prior periods.

This has no impact to the primary financial statements of applying the standard.

Orkney Health Board

DIRECTION BY THE SCOTTISH MINISTERS

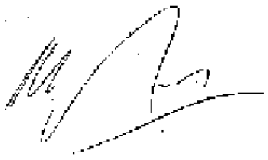
The Scottish Ministers, in pursuance of sections 86(1), (1B) and (3) of the National Health Services (Scotland) Act 1978, hereby give the following direction.

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 (FReM) 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