



ANNUAL REPORT AND ACCOUNTS

For

Year Ended 31 March 2021

NHS ORKNEY ANNUAL REPORT AND ACCOUNTS 2020/21

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NHS ORKNEY

ANNUAL REPORT AND ACCOUNTS 2020/21

PERFORMANCE REPORT - OVERVIEW

1. Purpose

The Overview aims to provide the reader with sufficient information to understand the purpose of the NHS Orkney Board, the key risks to the achievement of its objectives and how it has performed during 2020/21. Additional information has been provided in the Performance Report, the Accountability Report and the financial statements.

NHS Orkney publishes a wide range of information on its services and activities on its website which you can find at: <https://www.ohb.scot.nhs.uk>

2. Chief Executive Statement

2020/21 has been an exceptional year for us all and the challenges have been keenly felt across NHS Orkney. On behalf of the Board I would like to express my thanks and sincere appreciation to all our staff and partners for their fantastic work in supporting the provision of high quality health and social care to patients across our community.

As an organisation we have had to respond to the challenges posed by Covid-19 ensuring we were able to deal with outbreaks, testing, contact tracing and the ever-present risk of critically unwell patients. We also needed to maintain our services to those who continue to depend on us for care, support and advice. As the initial risk eased, we needed to restart paused services and do it in such a way that protected those that needed our care. In response to these challenges, the Board has sought to remobilise, recover and re-design its services in line with the framework for NHS Scotland.

Covid-19 will remain with us for the foreseeable future and will be a significant factor not only in how we live our lives but also how we seek to provide our services, and this will mean we will need to continue the journey of redesigning how and where care is provided to ensure that we can continue to meet the health and social care needs of our population now and in the future. Across Orkney we remain committed to providing a greater level of care in our communities and build on the solid foundations already established through the integration of health and social care.

The response and commitment from our staff, partners and the public in reacting to Covid-19 has been remarkable. The efforts of everyone in our community has ensured the level of transmission within Orkney has been minimised which has protected the NHS from being overwhelmed. Covid-19 has brought with it challenges but also opportunities including the successful implementation of new ways of working at a pace that few thought was possible. We will continue to learn and benefit from these new approaches to innovate and develop new approaches and we intend to build on these as we shape service provision requirements of the future and commission our new Clinical Strategy.

The strength of our teams and the incredible support from the public have enabled us to successfully roll out the Covid-19 vaccination programme to the highest priority

groups. At the end of March 2021, NHS Orkney delivered at least the first dose vaccines to 77% of the population.

Without the support of our partners (care homes, local authorities, NHS colleagues and local resilience partnership members) much of what we have achieved over the last year would not have been possible. Our response has required and been enabled by whole system joint working. For your support we are truly grateful.

The Board continues to focus and respond to key strategic issues that are critically important to the future of NHS Orkney. The Care Inspectorate report into Children and Young People Services in Orkney made for difficult reading as we had not previously got it right for children, young people and families across Orkney and addressing these failings has remained front and centre for the Board. Wider cultural concerns within NHS Orkney required action and alongside a commitment to openness, honesty and transparency the Board commissioned the Digital Health and Care Innovation Centre (DHI) to take forward a listening programme. This comprehensive and inclusive approach supported NHS Orkney staff to engage with an external independent partner to gather feedback regarding their experiences whilst working for NHS Orkney and the culture within the organisation. The outcome of the programme has been shared with staff and the Board are working in partnership with staff in taking forward the recommendations into deliverable outcomes. Following the initial listening piece of work, a review of Patient Discharge processes has been conducted by DHI as this was highlighted as a priority candidate for change area.

The Executive Team have also met to discuss the key priorities for NHS Orkney for 2021/22 onwards which has resulted in five key areas of focus:

- Covid-19
- Culture
- Quality and Safety
- Systems and Governance
- Sustainability

Work in these priority areas will be ongoing during 2021/22.

It has been a real privilege to lead NHS Orkney over the past nine months and I remain committed to leading an organisation that places the health and well-being of our community at the heart of how we work. I am proud to have been part of the team that has come together to meet the challenges of Covid-19 head on. I look forward to continuing to work with the amazing staff, partners, community and dedicated Executive Team, as we navigate the remainder of 2021/22 and welcome the exciting future possibilities we can deliver for the people of Orkney.

3. Background and Principal Activities

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 22,000. We employ 718 staff and provide a comprehensive range of primary, community-based and acute hospital services.

In 2020/21 we treated 1,982 individual inpatient cases (2019/20 – 2,100), 1,187 day cases on a new waiting list (2019/20 – 1,710), 5,867 patients on a new waiting list attended our specialist out-patient clinics (2019/20 – 9,400) and our accident and emergency departments treated 4,805 people (2019/20 – 6,956).

NHS Orkney is the smallest territorial health board in Scotland by general funding allocation, and our services are delivered through an Acute Sector, a Public Health Directorate and a range of Primary and Community Care services delegated to the Integrated Joint Board (IJB). Our clinical services are supported by corporate functions such as Finance, Human Resources, Estates and E-Health.

The IJB is a legally constituted cross sector body providing a focus for NHS Orkney to work in partnership with other agencies, including the Local Authority and Primary Healthcare contractors, in the provision of integrated services to the local community. Executive Directors and Non-Executive members of the NHS Orkney Board are members of the Integration Joint Board which provide the strategic direction for the integration of health and social care.

4. Non-Financial Performance

NHS Orkney strives to encompass a culture of continuous performance improvement which is achieved through our performance framework. Our vision, to be the best remote and rural care provider in the UK, is supported by our strategic themes:

- 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.

Our core values are at the heart of all we do:

- Care and compassion
- Dignity and respect
- Openness, honesty and responsibility
- Quality and team work.

During 2020/21 the Board continued to strive to deliver a safe and effective service whilst managing ongoing requirements in relation to Covid-19 and successfully meeting its financial targets.

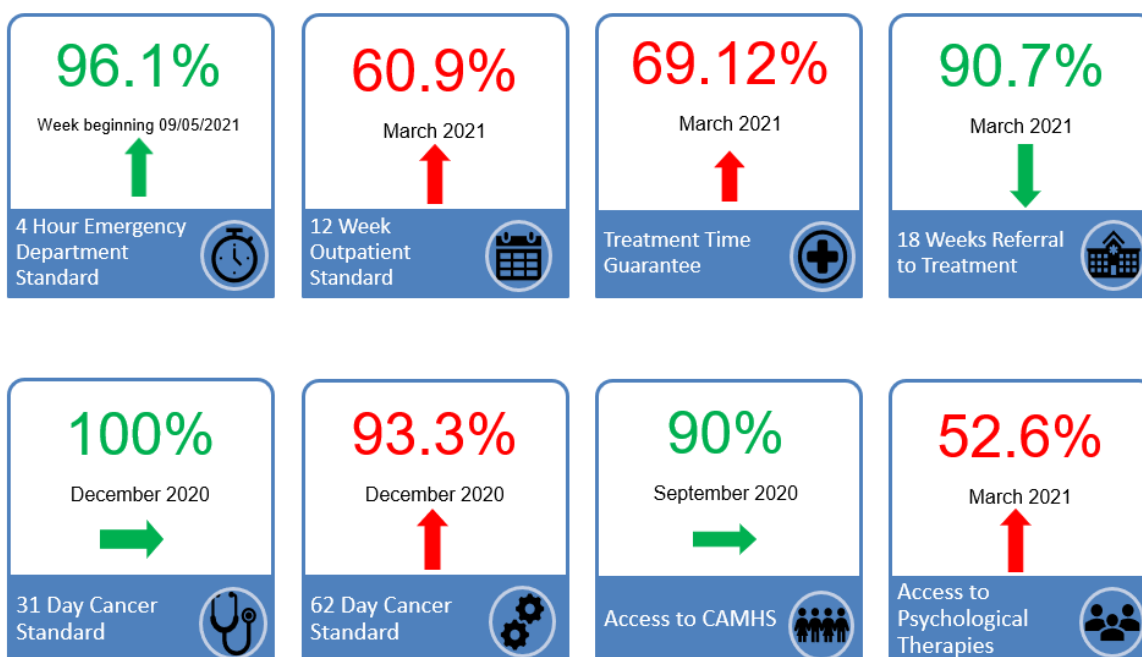
The Board monitors its performance against a range of quality and performance measures, some of which are set nationally. The performance measures in this section use national and local sources to present the 2020/21 performance. It is important to note that much of this data is taken from live systems that may be updated, these therefore may be revisited in the future. The Board's non-financial performance measures focus on the six dimensions of healthcare quality as highlighted in the Healthcare Quality Strategy for NHS Scotland which demonstrate that the system is Person Centred, Safe, Effective, Efficient, Equitable and Timely.

On 1 April 2020, the Scottish Government established a new body, Public Health Scotland in order to support national and local partners across Scotland to work together to improve healthy life expectancy and reduce health inequalities in our communities. Further information is available on the Public Health Scotland website (<https://www.publichealthscotland.scot>).

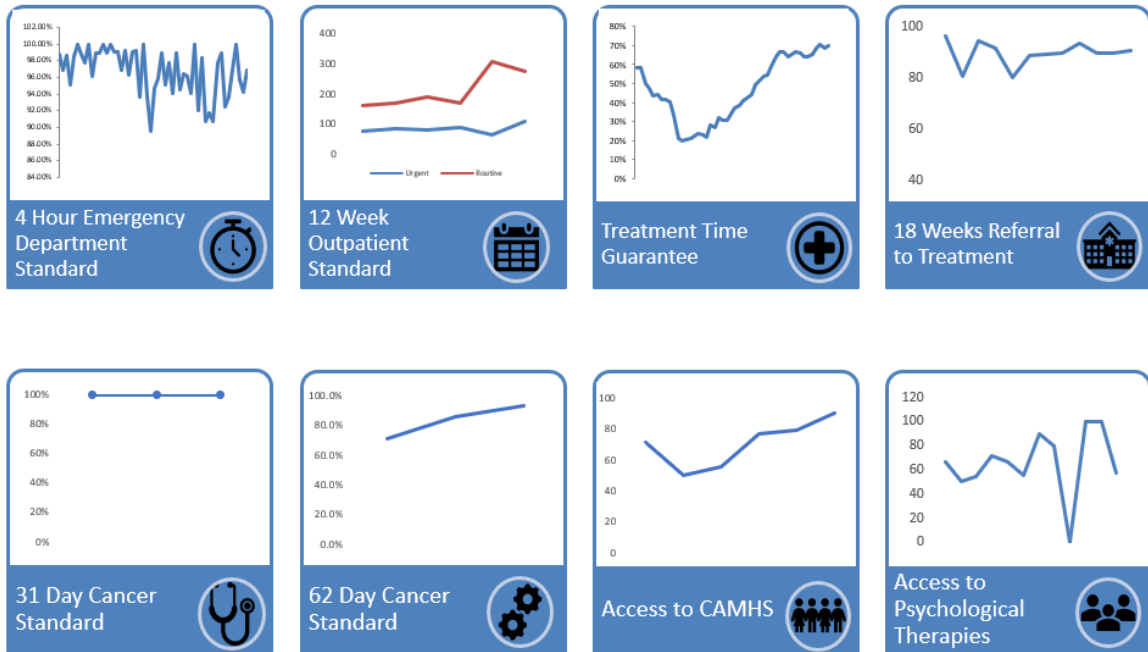
Public Health Scotland – Data and Intelligence publishes reports on various activities and performance of all NHS Boards, the most up-to-date information can be found at the following website:

<https://www.nhsperforms.scot>

Performance against the key national clinical treatment targets have clearly been impacted by the changes made to support the Boards response to the Covid-19 pandemic. The figures below highlight the performance data achieved to the end of March, or the most recent published information as presented to the Board of NHS Orkney in April 2021.



During 2020/21 performance against a number of the standards was adversely affected by the Covid-19 pandemic. This is particularly the case for the 12 week Outpatients standard and the treatment time guarantee where performance has reduced as a result of the pausing of elective services during the COVID-19 response phase and the impact of social distancing and increased infection prevention and control measures on clinic and theatre capacity. As shown in the following charts however this has been an improving picture in the latter half of the year as a result of remobilisation activities. Throughout the year performance in regard to the 4 hour emergency standard has remained good and through the prioritisation of urgent suspected cancer diagnostic pathways and cancer treatments throughout the pandemic performance in relation to the cancer standards has also been good, although on occasion impacted by small numbers. Continued access to CAMHS and Psychological Therapies was facilitated throughout 20/21 through the adoption and embedding of NearMe as a critical aspect of service delivery. This allowed clinicians to continue to provide access to services without the risks of face-to-face contact. NearMe was also successfully used to avoid off island travel and to ensure urgent access to specialities who were unable to provide a visiting service while travel restrictions were in place.



Looking ahead the Board's third Remobilisation Plan has articulated priorities for the further remobilisation of clinical services to improve access and address the backlog which has built up during the pandemic. This involves working closely with partner Boards to access elective capacity in other areas and ongoing clinical prioritisation to ensure timely access to services for those who are in greatest need.

5. Key Issues and Risks

The Board's Annual Operational Plan and Strategic Risk Register set out the key priorities, challenges and risks NHS Orkney faces in future years and how these will be mitigated. The challenge for the Board is to manage these risks in a way that ensures we continue to deliver a high standard of operational performance and provide quality clinical services, whilst ensuring financial balance and achievement of our financial targets. Key identified risks include the remobilisation and transformation of our services in response to the impact of Covid-19.

The key strategic risks impacting NHS Orkney are outlined below. These risks are managed within the Board's Corporate (Strategic) Risk Register which includes the controls and mitigation measures that are in place to manage these risks.

Corporate Risk				
Owner	Risk Title	Current Scoring	Target Score	Controls in place
Chief Executive	NHSO could experience significant issues regarding supply of stock/equipment/food and medicines leading to potential patient harm.	9	6	Brexit assessment has been completed Brexit Steering Group Monthly report to SMT Ongoing general monitoring of situation as Brexit date passed
Director of Nursing, Midwifery & AHPs	Potential non-compliance with Health and Care (Staffing) (Scotland) Act	12	9	Have Nursing, Midwifery and AHP, Medical Directorates and Executive Leads. General Management Structure within Hospital and Community Senior Management Team/ Executive Management Team and existing structures, policies and procedures in place HSP Steering Group - HSP/ EIC working group Ensure that at all times suitably qualified & competent individuals, from such a range of professional disciplines as necessary, are working in such numbers as appropriate for the health, wellbeing & safety of patients or service users, & the provision of high-quality care. - Have regard to the guiding principles, including when contracting with third party providers for the provision of services. - Have procedures for assessing staffing requirements in real-time, identify & escalate risk across all clinical settings & staff groups. - Seek & have regard to appropriate clinical advice in decisions relating to staffing. - Report on high cost agency use. - Ensure adequate time & resources are given to all clinical leaders to discharge their leadership role. - Ensure employees receive appropriate training to undertake their role. - Follow a specified common staffing method where defined workload planning tools exist & ensure the output from the method is used to inform decisions about staffing levels. - Train staff in the common staffing method, where appropriate. - Inform staff of how the common staffing method has been used & the staffing decisions reached. - Report annually to Scottish Ministers how they have met the requirements in the legislation. - Provide assistance to HIS, as required, including providing information, to enable HIS to perform its functions.
Director of Finance	NHSO lacks adequate systems, safeguards & process which could result in data loss/system outage compromising patient care.	16	8	Improvement plan being developed being led by SIRO. With oversight mechanisms in place for delivery.
Medical Director	Care and financial sustainability may be compromised should the current medical workforce model continue	20	12	To be updated with support from Executive lead Situation has been occurring for some time, so organisation has partly accepted risk - Use of regular locums where possible - Interviews held and Appointment of surgical staff (June 2021) - Interviews for medical consultant planned (June 2021) - Appropriate HR checks on any locums, and review of any incidents occurs in relation to quality of care
Director of Finance	Corporate Finance Risk: General funding uplift over estimated resulting in inability to implement planned commitments. Cost savings forecasts for major projects overestimated resulting in failure to achieve boards financial objectives (i.e. RRL) ability to meet cost of ongoing compliance with policy changes, statutory changes and updated guidance issued by SGHD. Inability to deliver against the boards capital programme (CRL) failure to deliver reoccurring financial balance.	16	8	General Funding Overspend, Recurring Financial Balance and Capital Programme - Remobilisation Plan which information is placed to AOP which goes to F&P for consideration and then to Board for ratification and approval and finally signed off by Scottish Government. Ongoing dialogue across organisation to ensure they deliver financial balance. Scottish Government is cited on various discussion through the F&P, Remobilisation and Capital Updates Report. Cost Savings - outlined in AOP and also outlined in Financial Performance Report. The savings are discussed at the F&P Committee and Board with plans put in place to address the target. Discussed with each budget managers and regular dialogue with EMT. Ability to meet ongoing cost appliance - Involvement of Finance in all planning meetings.
Chief Executive	Failure to Meet Population Health Needs Resulting from Pandemic	16	8	Clinical Strategy being developed which will consider future population health need.
Director of Public Health	Impact of NHS Service Provision on Climate Change and Sustainability	12	8	Sustainability Steering Group established, and low carbon transport adopted across NHS Orkney. Reduced off island and local travel through imbedding of Near Me. Reduced staff travel as result of working from home and the use of Microsoft Teams reducing off island travel.
Chief Executive	Failure to Respond Appropriately to COVID 19	12	8	Mobilisation and Surge Plans in place to manage COVID 19 infection within community. Remobilisation planning undertaken to minimise the impact of the pandemic on access to services. Clinical prioritisation of access in place for elective care. Testing process in place and well established. Vaccination programme rolled out ahead of schedule.
Medical Director	Failure to Meet Patients Specialist Healthcare Needs	12	8	Partnership arrangements in place with mainland Boards to ensure access to more specialist secondary and tertiary services. Visiting services provided for more widely used specialities to avoid the need for off island travel. Repatriation off clinical care when it is safe to do so. Good relationships and SOPs to support access to senior clinical decision makers off island as required eg Paediatrics.

6. Clinical Strategy

After a period of inactivity, due to the Covid-19 pandemic, the development of the Clinical Strategy development has been restarted.

The aim of this project is to produce a strategic plan for Orkney's health and care services which will ensure that we have a clearly articulated strategic vision for the next 3-5 years. The whole system approach is the recommended model in order to produce continuity of care provision across the spectrum of health and social care. The type and range of care provided will be determined by the needs of the patient/service user.

A wealth of information was gathered as a result of the Clinical Strategy work, this has been further supplemented by the Covid-19 response work over the past year. Lessons have been captured not only locally but nationally, which will influence the Clinical Strategy going forward. It is vital that these influences are captured and integrated with the existing Clinical Strategy comments and views.

The intent is that:

- a clear matrix of responsibilities for the leadership of the process should be established and a formal project management approach adopted. The matrix must be multidisciplinary in nature with both clinical and non-clinical representation.
- the use of external specialist resource is currently being scoped. External facilitation and support as an additional resource will be vital to progressing the Clinical Strategy in terms of quality and pace.
- Public engagement will be at the forefront of the Clinical Strategy work with key stakeholders including the Third Sector and the IJB as vital partners in the process. There is a wealth of information available from the previous Clinical Strategy work, existing NHSO Health Intelligence, IJB public consultations and the recent Digital Health and Care Innovation Centre (DHI) engagement outcomes.

7. Mobilisation/ Remobilisation Plan

In January 2020 Covid-19 was identified as a coronavirus causing respiratory disease and has spread to many countries causing significant pressures to healthcare systems. NHS Orkney developed and implemented a Covid-19 Mobilisation plan in line with Scottish Government guidance, informed by local and national modelling.

During implementation of this plan changes were made at pace to how, where and for whom we deliver services across the breadth of the health and care landscape. A summary of the learning captured from the response phase is available at:

<https://spark.adobe.com/page/piua4f3PyyfVR/>

The Mobilisation Plan set out the activities NHS Orkney would implement along with relevant partners to respond to the Covid-19 pandemic and in particular focused on plans for:

- scaling up our ability to care for the critically ill
- scaling up general bed capacity

- scaling back elective inpatients, day cases and outpatients
- maintaining a full cancer and urgent care service
- reducing delayed discharges
- planning and implementing our whole system response across Acute/Primary/Social Care.

In May 2020, the Board submitted its first Remobilisation Plan to the Scottish Government which set out its plans for the initial recovery of services following scaling back in response to the first wave of Covid-19. The initial planning period covered the period up until 31st July 2020 and within that period saw the resumption of many services which had been paused since the start of the pandemic. During the initial phases of remobilisation services resumed for those who are urgently in need of care in line with the adopted remobilisation principles:

- System-wide, safe and person centred
- Clinical prioritisation
- Agile, flexible and responsive
- Realistic Care provided locally, regionally, nationally as clinically appropriate
- Protecting our Workforce
- Digitally enabled
- Data enabled

In July 2020, the Board prepared its second Remobilisation Plan, covering the remainder of 2020/21 in line with the Scottish Government phased response to living with Covid-19. The Plan focussed on the 3 priorities of the Remobilise, Recover, Redesign framework:

- Moving to deliver as many normal services as possible, as safely as possible;
- Ensuring we have the capacity that is necessary to deal with the continuing presence of Covid-19; and
- Preparing health and care services for the winter season, including replenishing stockpiles and readying services.

A further iteration of the plan (Remobilisation Plan 3) which sets out the Board Plans for the next 12 months has been submitted for Scottish Government and Board approval.

8. Orkney Health and Care – Integrated Joint Board

The Integration Joint Board’s Strategic Plan for 2019/2022 was approved on the 2 October 2019 and, the following is an extract of the 2019/22 plan and can be located [here](#):

“This plan aims to set out the ambitions for health and social care in Orkney for those functions and services delegated to Orkney Health and Care by Orkney Islands Council and NHS Orkney. The plan however, also includes the services provided by the new Balfour Hospital and other functions that remain with NHS Orkney. We believe that this will allow us to make the most of our stretched resources and to ensure that movement in and out of the hospital setting is safe, seamless and efficient. The plan clearly sets out the principles, values and approach, which will shape all that we do. Our focus will always be on innovation and the continual improvement of the health and wellbeing of all living in Orkney. It will also be about ensuring our activities maximise our ability to reduce health inequalities that exist in

our communities. The plan sets out our new approaches to health and social care. We need to develop different ways of working.”

During 2020/21, a detailed Strategic Commissioning Implementation Plan has been developed which will be considered by the Integration Joint Board early in 2021/22.

As a result of Covid-19, step-down care was provided to create redesignation of inpatient hospital beds for Covid-19 Surge Ward purposes in the latter part of 2019/20. This involved the use of accommodation at Hamnavoe House, the new care home which opened in Stromness during 2019. This permitted patients who required a longer period of rehabilitation to move to alternative patient accommodation.

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.

A local Mental Health Strategy which articulates how we work to develop an all age, all community aspiration to how we do things here in Orkney was approved in 2020. 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 people are valued as a member of the community. An action plan to support delivery of this Strategy is now being developed.

Our Primary Care Improvement Plan for Orkney (now in 2nd draft) 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 delivery of our aspirations within the financial envelope available, particularly in regard to our more remote and rural geographical areas. Work is underway with primary care colleagues to identify how the resources available can meet the needs of our patient population, taking account of Scottish Government strategic priorities and taking account of clinical priorities.

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.

9. 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	77,107	77,029	78
Non Core Revenue Resource Limit	2,717	2,717	0
Core Capital Resource Limit	1,078	1,078	0

Cash Requirement	77,655	77,655	0
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		£000
Memorandum of In Year Outturn	Core Revenue Resource Variance (Deficit)/ Surplus in 2020/21	78
	Financial Flexibility: Funding Banked with Scottish Government	(32)
	Underlying (Deficit)/ Surplus against Core Revenue Resource Limit	46
	Percentage	0.06%

A three-year financial plan was submitted to Scottish Government by NHS Orkney in March 2020. Due to the impact of the Covid-19 pandemic, the Scottish Government paused the Annual Operating and financial planning process. Recognising the exceptional nature of 2020/21 and the impact on delivery of financial recovery plans, additional non-repayable funding was provided to support in-year financial balance across all NHS Boards. NHS Orkney received £11.807m.

The notes to the accounts provide further details on the Board's income and expenditure during the year. Demand-led income and expenditure in respect of family health services (including dental, ophthalmic and pharmacy services) is not included in the Board's Revenue Resource Limit. The net expenditure on family health services is deducted from the Statement of Consolidated Comprehensive Net Expenditure to arrive at the performance against the Board's Revenue Resource Limit. This is set out in the Resource Outturn Statement in Note 2a.

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	2020/21	2019/20
Paid by value – in 10 days*	47%	54%
In 30 days	80%	85%
Credit taken	20 days	18 days
Paid by volume – in 10 days	57%	54%
In 30 days	84%	89%

* The Covid-19 pandemic resulted in different ways of working, which had an impact in terms of payment processes this included delays with invoice query resolution and processing time for invoices.

Other Financial Disclosures

Outstanding liabilities

NHS Orkney has £11.870m of current liabilities and no long-term liabilities in 2020/21, compared with £7.564m and nil respectively in 2019/20. Current liabilities have increased in the year, this is mainly due to the earmarked funding carried

forward by the IJB at year end, increased cash balance payable to the General Fund and amounts accrued in relation to the pay award due for 2020/21.

Pension Liabilities

The accounting policy for pensions is provided in Note 1 to the Accounts and disclosure is shown within Note 19 and the Remuneration Report.

Non-Profit Distributing (NPD)

The funding arrangements and accounting treatment for the New Hospital and Healthcare Facility reflects the nature of the contract, which is a Non Profit Distribution (NPD) Scheme with a funding variant. Robertson Capital Projects was selected as the Preferred Bidder to design, build, maintain and provide hard facilities management services over the 25 year service contract period. Ownership of the property remains with Robertson Capital Projects for 25 years when it transfers to NHS Orkney. The asset is recognised on the NHS Orkney's Statement of Financial Position.

The total cost of the project estimated in the Full Business Case is £115m, this is split into two elements: the prepayment for construction of the new build and the ongoing Annual Service Payment. NHS Orkney is required to support 50% of lifecycle maintenance costs and 100% of hard FM maintenance costs, with the Scottish Government supporting all other running costs. In 2020/21 Scottish Government funded around 58% of the ASP payable in year with NHS Orkney funding the remaining 42%.

Orkney Health Board Endowment Fund

The Annual Accounts consolidate the results of Orkney Health Board Endowment Fund. The basis of consolidation, explained in note 1 Accounting Policies, is determined by the extent of control Orkney Health Board can effectively exercise over each of its partner organisations. All Trustees of the Orkney Health Board Endowment Fund are members of Orkney Health Board. The Board therefore has majority control and, using the principles stipulated by IFRS 10, must consolidate, in full, the financial results of the Orkney Health Board Endowment Fund into the main Board accounts.

The Orkney Health Board Endowment Fund's net assets of £1.115m represented by £0.960m unrestricted and £0.155m restricted funds (2019/20: £0.892m, £0.794m unrestricted and £0.098m restricted). The increase in net assets of £0.223m (2019/20 £0.384m decrease) relates to an in-year surplus on charitable activities of £0.065m (2019/20 £0.257m deficit), and a net gain on investments of £0.157m (2019/20 £0.127m loss) due to the recovery in the value of the Fund's investment portfolio following the reaction of global equity markets to the Covid-19 pandemic in 2019/20.

Total income for the year was £0.131m (2019/20: £0.059m), £0.107m (2019/20: £0.026m) relating to donations and legacies and £0.024m relating to dividends and interest on investments (2019/20: £0.033m).

Total reported expenditure for the year was £0.066m (2019/20 £0.316m), £0.048m relating to grants for charitable activities (2019/20 £0.298m), £0.013m on staffing and support costs (2019/20 £0.012m) and £0.005m on investment management fees (2019/20 £0.005m).

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 £42.215m (2019/20 £34.884m) and income of £42.215m (2019/20 £34.884m). The expenditure is included in [note 3](#) and income in [note 4](#) and analysed below. The increase in income and expenditure is mainly due to additional cost pressures and funding related to Covid-19, of the £42.215m in year, £2.099m relates to additional costs for Covid-19 for Health Board delegated services, with (£0.233m) of off-setting savings attributed to Covid-19. Costs incurred as a result of Covid-19 include Community Hub (Covid Assessment Centre), additional staffing costs to maintain capacity and remobilise services and additional accommodation costs. There is earmarked Covid funding of £0.671m carried forward to 2021/22. There were underachieved savings of £0.670m attributed to the IJB in the year. Additional funding passed through NHS Orkney to the IJB for Local Authority delegated IJB services, this totals £1.426m in 2020/21.

NHS Orkney provided in year funding to allow the IJB to breakeven in 2020/21. There were however, earmarked funding allocations received in year which were unutilised at year end, and therefore have been carried forward to the following financial year, £2.323m of earmarked funding will be carried forward to 2021/22. NHS Orkney has 50% share of these funds as a joint venture. This is reflected in the [Consolidated Statement of Financial position](#) of £1.162m.

	2019/20			2020/21		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
IJB	26,267	26,267	0	33,643	33,643	0
Set Aside	8,617	8,617	0	8,572	8,572	0
Total	34,884	34,884	0	42,215	42,215	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.

There is currently a medium-term financial plan which illustrates the financial challenges faced and the anticipated delivery of efficiency savings targets over the period 2020/21-2022/23 (£2.4m). During the year, the IJB was set a target of £800k recurring savings, of this £130k was delivered non-recurrently. The £2.4m savings target highlighted above requires to be delivered over the two year period 2021/22-2022/23.

Covid-19

NHS Orkney was exposed to significant additional costs as a result of the Covid-19 pandemic in 2020/21, the Board received additional funding from the Scottish Government to cover Covid-19 cost pressures in the year. Funding received in year is broken down as follows:-

COVID-19 Impact	2020/21		
	Actual £000s	Resource Budget £000s	Variance £000s
Gross COVID-19 Additional Costs – Health Board	6,419	6,419	0
Gross COVID-19 Additional Costs - Health & Social Care Partnership (Health Board Functions)	2,099	2,099	0
Unachieved Savings – Health Board	5,231	5,231	0
Unachieved Savings – Health & Social Care Partnership (Health Board functions)	670	670	0
Offsetting Cost Reductions – Health Board	(2,379)	(2,379)	0
Offsetting Cost Reductions – Health & Social Care Partnership (Health Board functions)	(233)	(233)	0
Net COVID-19 impact on RRL	11,807	11,807	0

Additional Health Board expenditure in the year was incurred in relation to Covid-19, the most significant areas of spend include additional hospital bed capacity (Ventilation Unit), Covid-19 screening and testing for virus, test and protect, cleaning costs, personal protective equipment (PPE), Covid-19 vaccine programme delivery costs and remobilisation costs.

10. Fraud, Bribery and Corruption

NHS Orkney has a zero tolerance for fraud, bribery or corruption. As part of NHS Orkney's Statutory/ Mandatory Training all staff are required to complete the Counter Fraud Services training module, ensuring staff are reminded regularly about counter fraud matters including the confidential routes that are available to report suspected fraud, bribery or corruption. A range of fraud awareness initiatives were progressed during the year including training in relation to absence fraud, anti-bribery and corruption and general fraud awareness.

In addition, NHS Orkney works closely with Counter Fraud Services on cases of suspected fraud and we issue Intelligence Alerts to staff when updates are received.

11. Social Matters

NHS Orkney Equality and Diversity

NHS Orkney promotes equality and celebrates diversity both in the services we provide and within our organisation. We are very much individually focused. We also take our duty to promote equality and diversity in the wider community very seriously. The challenge for the Board is how to engage with small number groups and to get input and buy in to the work across all of the equality elements and not only embed but streamline this work. We continue to take forward work for all 9 "protected characteristics" which make up equality and diversity. These "protected characteristics", as defined by the Equality Act 2010 are: race, disability, age, sex

(male or female), sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership and religion or belief.

The Board has also embraced the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012 and published reports in 2019/20 including the following key updates on progress:

- NHS Orkney Equality and Diversity Workforce Monitoring Report 2018/19
- NHS Orkney Equality Equal Pay Monitoring Report - April 2019

No reports have been published in 2020/21. However, the final draft of NHS Orkney Equality Outcomes Report 2021-2025 has been created and will be circulated for a 6 weeks consultation period.

The following reports will be published by end of June 2021

- NHS Orkney Equality and Diversity Workforce Monitoring
- NHS Orkney Equality Equal Pay Monitoring Report
- NHS Orkney “Mainstreaming” Report

During 2020/21, 23 NHS Orkney colleagues attended Equality and Diversity Training at a level appropriate to their role in the organisation via Microsoft Teams. This training is delivered via a service level agreement between NHS Grampian and NHS Orkney. All participants receive their own personal copy training material electronically. This material is then discussed in detail, with appropriate examples. Topical social matters are also included in all of our training sessions.

We are also fully engaged with the newly created National NHS Ethnic Minority Forum and are working with the other two Island Boards to create a network to enable staff colleagues within this category to find a voice. Locally we are engaging with staff to ensure that our partnership fora are representative.

Employment

NHS Orkney has 718 members of staff (excluding bank), which of itself has significant economic and social impacts and benefits to a small community like Orkney as a major employer. We seek to continuously improve the experience of our staff at work. As part of our Cultural overview, we have established a Staff Engagement and Experience Programme ‘The Listening Project’ led and supported by the Digital Health and Care Innovation Centre (DHI). The outputs of how staff feel and supported development will be delivered in partnership with staff and staffside representative as part of our Staff Governance Agenda.

Sustainable workforce planning and development requires us to identify and cultivate new talent pools, and to think about not only the ‘what’ we need to deliver as services but how we can deliver those services and the use of technology enabled solutions to support this. The development of the Clinical Strategy will enable us to understand further the levels, types and locations of staff that we need to attract and develop over the next 1-5 years and creates an exciting backdrop for workforce planning.

In the past year, NHS Orkney have recruited and placed 24 volunteers into the organisation, these include 12 Breastfeeding Supporters and 12 Spiritual Care Volunteers. Since Covid-19 the support has been provided remotely.

NHS Orkney currently has three students undertaking a Modern Apprenticeship in Healthcare and have had a further six complete Modern Apprenticeships in Business & Management in the past year. We currently have 11 Graduate Apprenticeships, eight in Business & Management, two Data Science and one in Information Technology Management.

We have 11 employees currently enrolled onto an SVQ course with the Orkney College, seven in Healthcare and four in Business & Management.

To support the development of new and aspiring managers a raft of short training sessions (manager bundles) will be developed and delivered. As an organisation NHS Orkney want managers to be confident and capable in delivering their role. The manager bundles deliver training, information and support on the key skills required for a management role. They are designed to help in staff deliver their role, build up a networks with other managers and give details of who to contact should you need help in the future. Scoping out the first set of bundles is underway.

We have one individual currently on a coaching cohort joint programme with NHS Shetland and plan to roll out a wider programme during 2021/22.

It is vital that we not only attract but retain great talent and to this end during 2020/21 we identified a number of individuals through conversations with the Executive Directors for the first cohort of a Leadership Development/ Succession Planning Programme. As part of our Plan-Do-Study-Act (PDSA) model we will not only roll this out during 2021/22 but also seek out aspiring talent at all levels of the organisation for future programmes.

12. Sustainability and the Environment

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.

Further information on the Scottish Government's approach can be found in the [Climate Change Plan 2018-2032](#) while national reports can be found at the following resource: <https://sustainablesotlandnetwork.org/reports>

Signed

Date 1 July 2021

Michael Dickson
Interim Chief Executive

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 March 2021.

1. Naming convention

NHS Orkney is the common name for Orkney Health Board.

2. Date of Issue

The Accountable Officer authorised these financial statements for issue on 1 July 2021.

3. Going Concern

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Board continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis are included in Note 1 of the accounts on page 53.

4. Accounting Convention

In accordance with IFRS 10 – Consolidated Financial Statements, the Annual Accounts consolidate the results of the Orkney Health Board Endowment Fund. Any intra-group transactions between the Board and the Endowment Fund have been eliminated on consolidation. The Annual Accounts also consolidate the Board's interest in the Integrated Joint Board, under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014. In accordance with IFRS 11 – Joint Arrangements, the IJB is considered to be a Joint Venture and under IAS 28 – Investments in Associates and Joint Arrangements, the basis of consolidation used is the equity method of accounting.

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, and available for sale financial assets. The accounts have been prepared under a direction issued by Scottish Ministers, which is reproduced on page 92 of these accounts. The statement of the accounting policies which have been adopted, is shown at Note 1 to the Accounts of page 56.

5. Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2016/17 to 2021/22, the Auditor General appointed Gillian Woolman, Audit Director, Audit Scotland to undertake the audit of NHS Orkney. The original 5-year term of the appointment was extended by a further year on 9 June 2020. 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 which can be accessed on the Audit Scotland website at the following link: <https://www.audit-scotland.gov.uk>

6. Role of the Board

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 22,000. 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.

All Board members are also trustees of the NHS Orkney Endowment Fund, a registered charity established by the NHS (Scotland) Act 1978 and subject to the legal framework of the Charities and Trustees Investments (Scotland) Act 2005.

Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014, the Integrated Joint Board (IJB), Orkney Health and Care (OHAC) is established in Orkney with full delegation of functions and resources to enable integration of primary and community health and social care services. Executive and Non-Executive members of Orkney Health Board are appointed to represent the Board as voting members on the IJB. The voting membership, and therefore control over the IJB, is shared equally between Orkney Health Board and Orkney Islands Council.

7. Board membership

Board members are selected and appointed through the public appointment process on the basis of their current organisational roles and/ or 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.

The following served as members of the Board during the year:

Chair and Vice Chair		
Meghan McEwen	Chair	
David Drever	Vice Chair	
Non-Executive Directors		
David Campbell	Non-Executive Board member	
Caroline Evans	Non-Executive Board member	
Isobel Grieve	Non-Executive Board member	
Steven Johnston	Area Clinical Forum Chair	
Joanna Kenny	Non-Executive Board member	From 8 February 2021
Fiona MacKellar	Employee Director	
James Stockan	Local Authority Representative	
Jason Taylor	Non-Executive Board member	
Executive Directors		
Gerry O'Brien	Chief Executive	Until 30 June 2020
Michael Dickson	Interim Chief Executive	From 1 July 2020

Mark Doyle	Director of Finance	From 17 August 2020
David McArthur	Director of Nursing, Midwifery and Allied Health Professions and Acute Services	
Marthinus Roos	Medical Director	Until 31 March 2021
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.

8. Board members' 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 23).

Board Member	Declared Interest
David Campbell	Trustee – Orkney Health Board Endowment Fund Chair – Integration Joint Board Audit Committee Voting member of the Integration Joint Board
Mark Doyle	Trustee – Orkney Health Board Endowment Fund
David Drever	Green Badge Tour Guide Qualification for Orkney Trustee Orkney Health Board Endowment Fund Voting Member - Integration Joint Board Chairperson – Heilendi Practice Patient Focus Group Chairperson – Orkney Archaeology Society (voluntary)
Caroline Evans	Trustee Orkney Health Board Endowment Fund Deputy member - Integration Joint Board
Issy Grieve	Trustee - Orkney Health Board Endowment Fund Vice Chair – Integration Joint Board Audit Committee Member – Integration Joint Board
Steven Johnston	NHS Orkney Employee Trustee of Orkney Health Board Endowment Fund
Joanna Kenny	Partner – Bayview Cottage self-catering accommodation Trustee – Orkney Health Board Endowment Fund
Fiona MacKellar	NHS Orkney Employee Trustee of Orkney Health Board Endowment Fund
David McArthur	Board Member Highland RFCA – No remuneration Trustee Orkney Health Board Endowment Fund
Meghan McEwen	Trustee – Friends of the Westray Playpark Trustee Orkney Health Board Endowment Fund Deputy member - Integration Joint Board Patient – Westray Surgery Parent of children in Westray Junior High School, Kirkwall Grammar and Papdale Halls of Residence Friends with NHS employees: Shelagh Hutchison, Martha Gill, Cheryl Scott
Gerry O'Brien	Trustee of Orkney Health Board Endowment Fund
Michael Dickson	Chief Executive of NHS Shetland Trustee of Orkney Health Board Endowment Fund
Marthinus Roos	Trustee Orkney Health Board Endowment Fund Wife – Clinical Psychologist, NHS Orkney
James Stockan	Leader of Orkney Islands Council Joint landlord of various properties Member of Friends of St Magnus Cathedral Member of Orkney Natural History Museum

	Trustee Orkney Health Board Endowment Fund
Jason Taylor	Member – Management Committee Orkney Housing Association Ltd Chair – Forum Management Group, BuildHub (Members Association operating Online forum for self-builders) Trustee of Orkney Health Board Endowment Fund
Dr Louise Wilson	Interim Director of Public Health, NHS Highland Trustee Orkney Health Board Endowment Fund Member of Orkney Health and Care Integration Joint Board Vice convenor faculty of Public Health Scotland Member of BMA Committee for Medical Managers Member of EURIPA (European Isolated Practitioners) Executive Committee

9. Disclosure of information to Auditor

The directors who held office at the date of approval of this Director’s Report confirm that, so far as they are each aware, there is no relevant audit information of which the Board’s auditor is unaware; and each director has taken all the steps that he/ she ought reasonably to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Board’s auditor is aware of that information.

10. Remuneration for non audit work

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

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. Personal Data Related Incidents

NHS Orkney formally reported personal data related incidents to the Information Commissioners Office (ICO) on three occasions during 2020/21 (2019/20 one). All of these incidents, and those relating to prior years, are now closed. Recommendations were made and acted upon, no enforcements action or penalties were applied by the ICO.

13. Financial Instruments

Information in respect of the financial risk management objectives and policies of the Board and the exposure of the Board to price risk, credit risk and cash flow risk is disclosed in Note 19.

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 2021 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

THE STATEMENT OF ACCOUNTABLE OFFICERS' RESPONSIBILITIES

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 the Board's disposal; and
- safeguarding the assets of the Board.

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

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

I confirm that the Annual Report and Accounts as a whole are fair, balanced and reasonable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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 1 July 2020.

GOVERNANCE STATEMENT

1. Strategic Vision, Themes and Values

The Board is committed to working with our staff and partners to improve the health of the residents of Orkney. The Clinical Strategy is being developed in line with our strategic vision and values:

Vision:

'Be the best remote and rural care provider in the UK'

Values:



The Board engages with a range of stakeholders to deliver our objectives, these key stakeholders include our staff, independent care practitioners, the local authority, the general public, community planning partners and third sector or charitable organisations. Many of these relationships have been crucial to enable ongoing delivery of our services during the pandemic.

2. Assurance Framework

The NHS Orkney 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.

Attendance at Board meetings

Name	Role	Number of Meetings	Number Attended	%
Meghan McEwen	Chair of the Board	11	11	100%
David Campbell	Non-Executive Board member	11	11	100%
David Drever	Non-Executive Board member	11	11	100%
Caroline Evans	Non-Executive Board member	11	10	91%
Isobel Grieve	Non-Executive Board member	11	11	100%
Steven Johnston	Non-Executive Board member	11	9	81%
Joanna Kenny	Non-Executive Board member	1	1	100%
Fiona MacKellar	Non-Executive Board member	11	11	100%
James Stockan	Non-Executive Board member	11	11	100%
Jason Taylor	Non-Executive Board member	11	11	100%
Gerry O'Brien	Chief Executive	6	6	100%
Michael Dickson	Interim Chief Executive	5	4	80%
Mark Doyle	Director of Finance	11	11	100%
David McArthur	Director of Nursing, Midwifery and Allied Health Professions and Acute Services	11	5	45%
Marthinus Roos	Medical Director	11	9	81%
Dr Louise Wilson	Director of Public Health	11	11	100%

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 and Risk

Finance and Performance	Reviews the financial and non financial targets of NHS Orkney, to:		
Nine meetings held during 2020/21	<ul style="list-style-type: none"> • 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
David Campbell	9 of 9	Chair of Committee	
James Stockan	6 of 9	Vice Chair	
Mark Doyle	9 of 9	Director of Finance	
Caroline Evans	8 of 9	Non-Executive Board Member	
Meghan McEwen	9 of 9	NHS Orkney Chair	
Gerry O'Brien	2 of 3	Chief Executive	Until 30 June 2020
Michael Dickson	2 of 6	Interim Chief Executive	From 1 July 2020

Remuneration	Responsible for		
Six meetings held during 2020/21	<ul style="list-style-type: none"> • 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
Meghan McEwen	6 of 6	Chair of Committee	
Davie Campbell	6 of 6	Non-Executive Board Member	
James Stockan	5 of 6	Vice Chair	
Fiona MacKellar	6 of 6	Employee Director/Non-Executive Board Member	

Clinical and Care Governance	Provides assurance that :		
	Five meetings held during 2020/21	<ul style="list-style-type: none"> 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
Isobel Grieve	5 of 5	Chair of Committee	
Steven Johnston	4 of 5	Vice Chair	
David Drever	5 of 5	Non-Executive Board Member	
Rachael King	5 of 5	Elected Orkney Islands Council member	
David McArthur	1 of 5	Director of Nursing, Midwifery and Allied Health Professions	
Meghan McEwen	5 of 5	Chair of the Board	
Chris Nicolson	1 of 5	Director of Pharmacy	
Gerry O'Brien	0 of 2	Chief Executive	Until 30 June 2020
Michael Dickson	2 of 3	Interim Chief Executive	From 1 July 2020
Marthinus Roos	4 of 5	Medical Director	
Steve Sankey	5 of 5	Elected Orkney Islands Council member	
Heather Tait	5 of 5	Public representative	
Dr Louise Wilson	5 of 5	Director of Public Health	

Staff Governance	Advises the Board on:		
	Five meetings held during 2020/21	<ul style="list-style-type: none"> 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
Caroline Evans	5 of 5	Chair of Committee	
Fiona MacKellar	5 of 5	Vice Chair	
Isobel Grieve	5 of 5	Non-Executive Board member	
Jason Taylor	5 of 5	Non-Executive Board member	
Gerry O'Brien	1 of 1	Chief Executive	Until 30 June 2020
Michael Dickson	2 of 4	Interim Chief Executive	From 1 July 2020
Lorraine Hall	2 of 2	Interim Director of Human Resources	From 1 October 2020
Kate Smith	5 of 5	Partnership representative	
Kathleen McKinnon	2 of 5	Staff representative	

Audit and Risk	Supports the Board in its responsibilities for:		
	Eight meetings held during 2020/21	<ul style="list-style-type: none"> 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
David Drever	8 of 8	Chair of Committee	
David Campbell	8 of 8	Vice Chair	
Fiona MacKellar	7 of 8	Employee Director/Non Executive Board Member	
Jason Taylor	8 of 8	Non Executive Board Member	

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 carried out by the committees. 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.

Board members must comply with the Code of Corporate Governance and the Endowment Charter, including the Code of Conduct, 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 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 cohort, are subject to Scottish Government guidance, determined by the Remuneration Committee.

3. Scope of Responsibility

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control that supports compliance with the achievement of NHS Orkney's policies and promotes achievement of the organisation's aims and objectives, including those set by Scottish Ministers. I am also responsible for safeguarding the public funds and assets assigned to the Board. In accordance with IAS 27 – Separate Financial Statements, these financial statements consolidate Orkney Health Board Endowment Fund. This statement includes any relevant disclosure in respect of these Endowment Accounts.

NHS Orkney complies with the requirements as set out in the Scottish Public Finance Manual (SPFM). To ensure adherence to the requirements of the SPFM, in 2020/21, the following governance arrangements have been in place:

- A Board which meets regularly to discharge its governance responsibilities, set the strategic direction for the organisation and approve decisions in line with the Scheme of Delegation. The Board comprises the Executive Directors and Non-Executive members. The Board activity is open to public scrutiny with minutes of meetings publicly available;
- The Board receives regular reports on Healthcare Associated Infection, Prevent and Control;
- Scheme of Delegation, Standing Orders and Standing Financial Instructions approved by the Board are subject to regular review to assess whether they

are relevant and fully reflective of both best practice and mandatory requirements;

- Organisation wide risk management arrangements built on localised risk registers and processes which ensure, as appropriate, escalation of significant instances of non-compliance with applicable laws and regulations;
- The Board receives regular updates on key statutory compliance functions including Information Governance, Health and Safety, fire and asbestos from appointed staff who are tasked with ensuring they are up to date with all relevant legislation and are responsible for co-ordinating management action in these areas;
- A focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements;
- The Board receives regular reports for consideration from the chairs of the finance and performance, staff governance, clinical and care governance, audit and risk committees' and from the Chair of the Endowment Fund which highlight key issues raised;
- The governance committees are supported by a designated lead Executive Director who has the delegated management accountability for statutory and regulatory matters;
- Regular review of financial performance, risk management arrangements and non-financial performance against key service measures and standards by the Finance and Performance Committee;
- Regular review of workforce arrangements and implementation of the NHS Scotland Staff Governance standards by the Staff Governance Committee;
- Regular review of service quality against recognised professional clinical standards by the Clinical and Care Governance Committee;
- An active Area Partnership Forum with an Employee Director who is a member of the Board;
- Regular review of Capital priorities for investment against the agreed plan;
- Clear allocation of responsibilities to ensure we review and develop our organisational arrangements and services in line with national standards and guidance;
- Promotion of effective cross sector governance arrangements through participation by IJB Board members and the Chief Executive at IJB committee meetings and performance review meetings with the IJB Chief Officer to further develop and drive improvement through integrated service delivery;
- A patient feedback service to record and investigate complaints, and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches; and
- Separate governance arrangements for the Orkney Health Board Endowment Fund which includes an Endowment Sub Committee of Trustees with delegated authority to manage the day to day operational matters of the charity.

4. Purpose of the System 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, and is designed to manage rather than eliminate the risk of failure to achieve the Board's aims and objectives. As such, it can only provide reasonable and not absolute assurance. The process is consistent with 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 Scottish Ministers issue the SPFM to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds, and it can be accessed via the following link:

<https://www.gov.scot/publications/scottish-public-finance-manual>

5. 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 Executive Management Team and at 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.

6. Risk Management Arrangements

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. 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. This is supported by an established assurance framework which is used by each of the core governance committees to identify and seek assurance regarding mitigating actions for risks that fall within their remit.

The Board of NHS Orkney reviewed its position against the blueprint for good governance in 2019 and identified risk management as one of its priority areas for action. A review of the Board's approach to risk management took place in year and a refreshed strategy and policy framework is now being developed alongside Board development in relation to the articulation of risk appetite. While this work is in progress we have continued to work within the context of our approved Risk Management Strategy and Policy which includes the articulation and management of risk through a 3 tier risk register structure. The format of these risk registers, which is maintained within the Datix system, is clear and understandable and includes key information such as risk owner and initial, current and target risk scores as well as mitigating actions.

Risk is considered in the context of the national Quality of Care framework and thus aligns with the Board's approach to clinical governance and patient safety. There is regular comprehensive and organisation wide review of our risks and ongoing development of the risk management arrangements at an operational level. Risk management procedures are being developed to reflect recent changes in our processes and will be implemented during the first quarter of 2021.

At present, there are two very high risks on the Board's risk register relating to the sustainability of care and ability to meet financial targets. The Board's exposure in high risks includes a number of areas which pose a threat to the delivery of services and patient care. This includes risks covering IT and technology, cybersecurity, workforce and access to care with management plans in place to bring risk exposure down to the identified tolerable level.

7. Internal Control Matters

NHS Orkney is committed to a process of continuous development and improvement, ensuring processes and systems are in place to address key risks and respond to developments in best practice. The Audit and Risk Committee monitors progress of all medium to high risk recommendations arising from internal audit reports.

In the period covering the year to 31 March 2021 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's governance arrangements and to provide additional assurance over the system of internal control and the key risks identified in the strategic risk register on page 7 above:-

7.1 Board Development and Governance

7.1.1 Covid-19 Pandemic

Following the declaration of Covid-19 as a world wide pandemic in March 2020 the Board implemented our emergency planning arrangements. In line with Scottish Government guidance, the Board agreed revised governance arrangements for the duration of the Covid-19 response and recovery period.

7.1.1 a) Board and Board Sub Committees

- To protect the health and wellbeing of anyone who would have attended the meeting, the Board did not convene its meetings in public during the period that preventative measures, including social distancing were in place.
- All Board minutes and meeting papers did however continue to be made publicly available on the Board's website and contact details provided for members of the public to attend Board meetings virtually if required.
- The Board engaged with local media to inform the public about matters discussed and agreed to maintain important links with the public and community. Local media were virtually invited to all public meetings of the Board.
- The Interim Chief Executive has regular contact with the public through Facebook live feed which provides updates and allows the public opportunities to interact and ask questions.
- Board agendas reverted to the standard governance format, with additional assurance provided around the Covid-19 response and recovery.

7.1.1 b) Performance Governance

- The Finance and Performance Committee continued to meet, initially with a reduced agenda, with a focus on overseeing the financial performance of the organisation and non-financial performance as services re-mobilised.
- The senior finance team re-organised their workload throughout the year to ensure provision of advice and support to enable management to operate within appropriate financial framework and to ensure that additional expenditure was only incurred where necessary and essential to the Board Covid-19 response.
- Where it was not possible to follow normal financial governance arrangements e.g. due to non-availability of staff and/ or remote working, and it was necessary to expedite authorisation of commitment, procurement or payment in support of the Board's Covid-19 mobilisation plans, these matters were delegated to either the Director of Finance or Head of Finance to ensure appropriate challenge.

7.1.1 c) Covid-19 Mobilisation Plan

As part of our response to Covid-19 we were required to quickly implement plans to respond appropriately to the changing needs of the population in the management of spread and treatment of Covid-19 cases along with maintaining critical services for other non-Covid-19 population groups who require urgent and emergency care. The Mobilisation Plan was developed collaboratively with partners and covered primary, secondary and social care services as well as the interface with off island and national Boards.

7.1.1 d) Operational Management arrangements during Covid-19 response and recovery

NHS Orkney implemented a command structure in March 2020 to manage the Covid-19 response phase.

This had three formal levels for direction and decision making as follows:-

- Gold Command Group, to provide strategic direction and co-ordinate the sourcing of support from the Local Resilience Partnership. Chaired by the Chief Executive and accountable directly to the Board;
- Silver Command Group, to co-ordinate the allocation of resources in line with agreed priorities, and provide tactical planning to identify and address emerging issues. Chaired by the Head of Estates, Facilities and Contract Management and accountable to the Chief Executive; and
- Bronze Command Group, to enable implementation of decisions and directions relating to commissioned work-streams, accountable to the Silver Commander.

7.1.1 e) System Leadership

Our approach since the initial response to Covid-19 has been based on the fundamentals of a whole system response, partnership working across organisational boundaries with our key partners and continuous engagement with our Board, Area Partnership Forum, professional advisory structures and staff.

As set out above we implemented a revised organisational command and control structure that operated throughout the Covid-19 response phase and which replaced the system leadership arrangements that had been in place as part of business as

usual. NHS Orkney stood down its gold, silver, bronze command structure in May 2020 resuming its business as usual governance and management structures supported by additional sub groups reporting into the senior management team for the management of the Board's response to the pandemic and the re-mobilisation of services. This included a multi agency Whole System Recovery group which was established to progress the development and implementation of this Re-mobilisation Plan ensuring the preparation of services for moving forward out of the acute phase of the Covid-19 pandemic and a focus on recovery and renewal to ensure the health needs of the population can be met whilst our ability to respond to Covid-19 is maintained. Group membership includes representation from across clinical and non clinical service areas as well as the Employee Director and Chair of the Area Clinical Forum.

A review and reshaping of accountability and leadership structures was taken forward during the last half of 2020/21 to strengthen the organisations ability to deliver clinically led, whole system transformation. This work has seen the introduction of Associate Medical Director positions for both Community and Acute Services to enhance medical leadership across the system as well as the establishment of a standalone Director of Acute Services position. Embedding of these changes will continue into 2021/22.

7.1.2 Other matters affecting Board Development and Governance

- The Board and the Audit and Risk Committee continue to review regular updates on progress against the following identified areas for improvement - Risk Management, Information Governance, Clinical and Staff Governance.
- All Board Executive and Non-Executive directors have formal annual appraisals, a key element of which is identification of the personal development requirements of each individual for the following 12 months.
- The Board is embarking on a programme of identifying leaders of the future throughout NHS Orkney. The programme will ensure that staff are supported to develop their skills, experience and knowledge in line with our ambition to progress as a health and social care system.
- NHS Board Executive and Non-Executive members have participated in development sessions during the year, consistent with the Board's commitment for continuous improvement and assessment of our performance.
- The Chair of NHS Orkney meets regularly with Non-Executive members to ensure they are kept up to date with current developments and allows opportunities for discussion.
- The Board have delegated responsibility for monitoring implementation of key strategic plans, to the Finance and Performance Committee.
- Continuation of arrangements for the Board's corporate register of interests including regular reminders to all staff on the process.

7.2 Quality and Safety

In 2019/20 Internal Audit undertook a review of the management of clinical incidents within NHS Orkney and reported positively on the systems and processes in place with limited improvement actions to be taken forward. Weekly incident review meetings continue to be a cornerstone in identifying areas for improvement and organisational learning. Weekly Morbidity and Mortality (M&M) meetings were halted during the Covid-19 pandemic but are being restarted as part of remobilisation and, following a review of the Quality and Safety group, it has been reformed as a Quality Forum, which is clinically led and managerially enabled. The Terms of Reference for the Forum were reviewed and refreshed to ensure the group remains able to fulfil its

purpose in our risk and clinical governance management arrangements in bringing together clinicians from across the healthcare system to focus on continually improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish.

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. In responding to the Covid-19 pandemic NHS Orkney expanded its workforce to support the creation of a Surge Unit and Ventilation Unit for the care of those who may be admitted with a diagnosis of Covid-19. The establishment of these units was supported by a range of clinical procedures and guidelines developed to ensure patient safety as well as an extensive programme of staff training and familiarisation.

The management of Significant Adverse Events continues to be an area of considerable focus for the Board and organisational policy incorporates best practice recommendations and aligns with the published national framework. The triangulation which takes place between the Weekly Incident Review Group, Patient Experience and Morbidity and Mortality meetings, provides a strong Multi Disciplinary Team (MDT) approach to governance. The learning from Clinical Incidents Policy has been reviewed during 2020/21 with a refreshed version currently through an approval processes. The review has widened the Policy out to be applicable to the management of all types of incidents and adverse events improving consistency of practice in this area. The document also fully reflects the requirements of the national framework.

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.

Additionally, during 2020/21 arrangements for the implementation of the Health and Care (Staffing) (Scotland) Act 2019, which is primarily focused on ensuring that we are resourced to deliver safe and effective care, have been progressed and are being overseen by the Clinical and Care Governance and Staff Governance Committees.

7.3 BREXIT

As the UK effectively remained in the EU’s customs union and single market until 31st December 2020, following an 11 month transition period, the impact to date has been minimal on NHS Orkney.

The risk register was maintained throughout the year 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.

- 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.
- 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.

Brexit remains a standing item on the Orkney Local Emergency Co-ordination Group all risk meeting which has now moved to a monthly cycle. Likewise, it remains on the Highlands and Islands Local Resilience Partnership monthly meeting agenda and that of Scottish Government Health Resilience Unit Quarterly meeting so that partner agencies including NHS Orkney can brief on Brexit related risks. To date the main impact on island communities has been the difficulties created by additional paperwork relating to the movement of seafood products to EU destinations.

The Pharmacy Department has experienced minor disruption in terms of the supply of some drugs however there has been ongoing national meetings re product substitution in the event of shortages. These supply issues are not uncommon and are not solely attributable to the Brexit process. As Border restrictions increase in the coming months it is anticipated that there could be additional delays in the movement of goods including medicines, medical devices and clinical consumables, however internal and external monitoring processes as outlined above are in place to flag any issues at the earliest opportunity.

7.4 Infrastructure

Regular reports were provided to the Finance and Performance Committee, Audit and Risk Committee and the Board around the Capital plans which include backlog maintenance of our estates and investment Information Technology infrastructure upgrades. Due to the difficulties in getting off island contractors on island the Board reviewed its spending arrangements and committed the spend locally where necessary.

7.5 Innovation and Transformation

During 2020/21 NHS Orkney has transformed the shape of its services in responding to Covid-19 as discussed in section 7. In addition, the Board has continued to actively engage in national improvement programmes and in regional working with partners across the North. Participation in the North of Scotland Innovation Group and the development of the North of Scotland Innovation Plan has been supported and engagement in the Islands Deal – Health and Wellbeing project has continued although this work was paused during the first half of the year as the organisation responded to Covid-19. In planning for the remobilisation of services NHS Orkney used the bridges to the future model to explore the opportunities for transformation of services, an approach which has been built on in developing the most recent iteration of the Remobilisation Plan.

7.6 Workforce

NHS Orkney Internal Audit Report 2020/21 - Amendments to Staff Banding

An internal audit was conducted in 2020/21 to review NHS Orkney's approach to agreeing initial allocation of staff grades on recruitment to role and subsequent amendments. This audit was conducted by Azets Audit Services Limited and as a result five improvement actions have been identified from this review, three of which relate to design of controls and two relate to control operations.

The Audit highlighted opportunities for development including revising the vacancy management system and an immediate action being taken to add director level approval to all recruitment requests. Further work will be taken forward as part of our Staff Governance Action Plan.

Report on Employee Pre-Employment Checks & Right to Work Audit

Following a request by the Staff Governance Committee, Human Resources were tasked to provide findings from an annual audit on personnel files. During this audit NHS Orkney's Safer Pre and Post Employment Checks Policy was applied which is underpinned by the Pre and post employment checks: NHSScotland PIN policy 27 March 2014. These policies set a minimum standard for the undertaking of checking procedures, where required by law or otherwise considered mandatory both prior to, and following, appointment to undertake paid work or prior to and following engagement in other forms of unpaid placement within NHSScotland Boards.

Two audits have been conducted: Locum Medical Staff and latterly a review of all other colleagues employed by NHS Orkney.

The Audit findings were reported to Staff Governance Committee :-

Locum Medical Staff

- 12 files audited:
 - 9 of those audited had all necessary and relevant paperwork in place including their electronic personnel file,
 - 3 electronic personnel files had 1 or more items of paperwork missing

Other colleagues

- 185 files audited:
 - 96 of those audited had all necessary and relevant paperwork in place included in their electronic personnel file.
 - 89 personnel files were outstanding one or more forms of documentation to comply with pre employment check requirements.

This Audit now creates a visibility and opportunity to engage with managers, ensure compliance and keep the organisation safe. The Human Resources and Learning & Development teams will ensure that as part of management training bundles, managers are clear about their responsibility as part of their recruitment processes and the HR team with the Medical Staffing Officer will continue to review and ensure PIN compliance.

7.7 Compliance

The Audit and Risk Committee received briefings during the year on the following key risk areas highlighted in recent audit reviews:-

- During the year, NHS Orkney was subject to a number of data breaches and NHS National Services Scotland were asked to conduct a review which resulted in a list of findings. Regular updates on progress are provided to the Committee. All actions to end of March 2021 completed which included communications, information technology, training and the recruitment of dedicated support for Information Governance roles.
- The Board is in discussion with providers to help assist with the development of a Clinical Strategy.
- NHS Orkney has commissioned services from National Services Scotland to support the work required to fill the current skills gap in Cyber Security and IT Controls. This will include training and assistance in developing processes within NHS Orkney.
- Business Continuity Plans reviewed and updated in line with response to Covid-19 pandemic.
- Risk Management Strategy and supporting documentation refreshed, including Risk Register review which has encompassed the Integrated Joint Board.
- Interim Director of Human Resources is carrying out review and update of Workforce Strategy.
- Development of refreshed Corporate Strategy underway.
- Development of communications policy and related procedures.
- The 2019/20 service audit reports for Practitioner Services and National IT services prepared by independent auditors for NHS National Services Scotland (NSS) resulted in qualified opinions. In the current year there has been a significant improvement in the Service Audit performance in respect of two out of the three services, namely:
 - Payroll – unqualified opinion
 - IT – unqualified opinion – with an emphasis of matter to highlight the additional matters taken into consideration to achieve that opinion, and improvements required.
- An improved position was achieved by Practitioner Services, but further actions are required to address matters going forward. Improvement plans are in place to address the control issues identified and will be delivered by the end of quarter 1 2021. Longer term improvements, focused on automating manual controls procedures, will be planned for future years.
- A qualification in a service audit report relates to the design or operating effectiveness of controls in order to meet the stated control objectives rather than indicating that the underlying transactions are necessarily incorrectly processed. An adverse opinion would occur where controls were absent or failed. Considering the content of the reports in detail therefore, the Board has accepted the assurances provided by the NSS Audit Committee, that the findings were consistent with the prior year and that each point raised within the reports will be addressed as part of its continuous improvement programme of work.
- In line with Scottish Government payment verification protocols, NHS NSS Practitioner Services staff review payments to independent family health

services practitioners. Quarterly data packs including financial and trend data are provided by NHS NSS Practitioner Services to the board in respect of each of the four payment streams (medical, dental, ophthalmic and pharmacy) and these form the basis of local verification activity. Due to the Covid-19 response these reports were paused early in the financial year but recommenced in the last half of the year.

- The Board's Audit Committee will be presented with a report detailing the NSS Service Audit reports and the recommendations made to the NSS Audit Committee.
- The Board Finance Director will arrange regular updates on progress against the agreed management action plan from NSS during 2021/22.

7.8 Involvement and Engagement

- NHS Orkney, in partnership with the Integrated Joint Board, continues to progress consistent visions and values aimed at ensuring consistent messages in all communications between clinical staff, service users and their carers.
- The Board's assurance framework continues to recognise the importance of the role of staff side and the advisory structure in supporting the work of Board sub committees through the Area Partnership Forum and staff side representatives on various committees.

8. Best Value

I can confirm that Orkney Health Board is committed to ensuring that its activities are undertaken in a manner that will secure best value in the use of public funds in line with the arrangements set out in the Scottish Public Finance Manual. The Board incorporates the principles of best value within its planning, performance and delivery activities ensuring that they are part of everyday business and integral to the Board's decision making in all key areas. In addition, the Board continues to enhance the system of internal control with specific focus on the delivery of safe and effective patient care, achievement of priority access targets and demonstrating best value and the efficient use of resources.

9. 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 Board's membership has been refreshed. The Board has throughout the year refreshed its membership of committees;
- the work of the internal auditors, who submit regular reports to the Audit and Risk Committee which include their independent and objective opinion on the 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;
- financial plans, service plans and related organisational performance and risk management reports presented to the Board and relevant governance committees

- reports from Health Improvement Scotland and other inspection agencies;
- statements of Assurance from the assurance committees;
- annual reports from assurance committees.

In addition to the above, the processes that have been applied to assist me in reviewing the effectiveness of the system of internal control include:

- Annual statements of assurance from each of the core governance committees of the Board, including the Endowment Committee, with respect to the governance arrangements that exist for the NHS Orkney Endowment Funds charity which is consolidated with the main Board accounts;
- Written confirmation from executive and senior managers that controls within their individual areas of responsibility are adequate and have been operating effectively throughout the year;
- Assurance from the External Auditor of the NHS Orkney Endowment Funds, in their management letter, that expenditure complies with the charitable purpose and that endowment funds have not been used retrospectively for expenditure originally authorised as a commitment against exchequer funds;
- Independent consideration of the governance statements and its disclosures by Internal Audit and the Audit and Risk Committee;
- Consideration and approval of the annual accounts, including the Governance Statement by the Board; and
- During the year, minutes of the meetings of the core governance committees were provided to all Board members.

I have been advised on the implications of the result of my review of the effectiveness of internal control by the Board and the Audit and Risk Committee and plan to address weaknesses and ensure continuous improvement of the system is in place.

10. 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

The total remuneration disclosed on pages 37 to 41 includes all amounts paid or payable to the Executive Directors and Non-Executive members in 2019/20 and 2020/21. This includes a separate assessment of the estimated increase in the cumulative pension benefit that will be payable following retirement. These disclosures have been subject to audit.

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2021

	Gross Salary (Bands of £5,000) £'000	Benefits in Kind £'000	Total Earnings in Year (Bands of £5,000) £'000	Pension Benefits £'000	Total Remuneration (Bands of £5,000) £'000
Remuneration of:					
Executive Members					
Chief Executive: Gerry O'Brien (1)	25-30	0	25-30	0	25-30
Interim Chief Executive: Michael Dickson (2)	65-70	0	65-70	0	65-70
Director of Nursing, Midwifery and AHP: David McArthur (3)	105-110	0	105-110	22	125-130
Director of Finance: Mark Doyle (4)	45-50	0	45-50	94	140-145
Interim Director of Finance: Mark Doyle (4)	55-60	0	55-60	0	55-60
Interim Director of Human Resources: Lorraine Hall (5)	35-40	0	35-40	0	35-40
Medical Director: Marthinus Roos (6)	275-280	0	275-280	17	285-290
Director of Public Health: Dr Louise Wilson (7)	145-150	0	145-150	48	195-200
Non Executive Members					
The Chair: Meghan McEwen	30-35	0	30-35	0	30-35
David Drever	5-10	0	5-10	0	5-10
Caroline Evans	5-10	0	5-10	0	5-10
James Stockan	5-10	0	5-10	0	5-10
Isobel Grieve	5-10	0	5-10	0	5-10
David Campbell	5-10	0	5-10	0	5-10
Jason Taylor	5-10	0	5-10	0	5-10
Joanna Kenny (8)	0-5	0	0-5	0	0-5
Steven Johnston (9)	100-105	0	100-105	28	125-130
Fiona MacKellar (10)	45-50	0	45-50	39	85-90

- Note 1: Gerry O'Brien – opted out of the pension scheme 31/12/18, left NHS Orkney on 30/06/2020, gross salary would represent an annual range of £105,000-£110,000
- Note 2: Michael Dickson - commenced as Interim Chief Executive for 2.5 days per week with effect from 01/07/2020, is seconded from NHS Shetland and pension benefits will be disclosed by them
- Note 3: David McArthur – paid arrears of £1,737.53 in 2020/21 relating to 2019/20. Gross salary annual range would not change
- Note 4: Mark Doyle commenced substantive role 29/09/2020, gross salary would represent an annual range of £85,000-£90,000. Interim Director of Finance 01/04/2020-24/09/2020 seconded from NHS Fife, total charges invoiced, pension benefits for this period will be disclosed by NHS Fife
- Note 5: Lorraine Hall – commenced as Interim Director of Human Resources for 2.5 days per week with effect from 01/10/2020, is seconded from NHS Shetland and pension benefits will be disclosed by them
- Note 6: Marthinus Roos – left the NHS Orkney on 31/03/2021. PILON and Annual Leave due paid in April 2021, accrued at year end and added above. Gross salary would represent an annual range of £195,000-£200,000
- Note 7: Louise Wilson – paid arrears of £3,204 in 2020/21 relating to 2019/20, gross salary range would not change
- Note 8: Joanna Kenny – commenced 08/02/2021, gross salary would represent annual range £5,000-£10,000
- Note 9: 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 10: 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.

FOR THE YEAR ENDED 31 MARCH 2020

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

Chief Executive: Gerry O'Brien	105-110	0	105-110	0	105-110
Director of Nursing, Midwifery and AHP: David McArthur (1)	80-85	0	80-85	22	100-105
Director of Finance: Mark Doyle (2)	35-40	0	35-40	0	35-40
Medical Director: Marthinus Roos (3)	195-200	0	195-200	40	235-240
Director of Public Health: Dr Louise Wilson (4)	145-150	0	145-150	28	175-180

Non Executive Members

The Chair: Ian Kinniburgh (5)	15-20	0	15-20	0	15-20
The Chair: David Drever (6)	5-10	0	5-10	0	5-10
The Chair: Meghan McEwen (7)	0-5	0	0-5	0	0-5
David Drever (6)	5-10	0	5-10	0	5-10
Caroline Evans	5-10	0	5-10	0	5-10
James Stockan	5-10	0	5-10	0	5-10
Meghan McEwen (8)	5-10	0	5-10	0	5-10
Isobel Grieve	5-10	0	5-10	0	5-10
David Campbell	5-10	0	5-10	0	5-10
Jason Taylor (9)	0-5	0	0-5	0	0-5
Steven Johnston (10)	95-100	0	95-100	23	115-120
Fiona MacKellar (11)	45-50	0	45-50	39	85-90

Note 1: David McArthur's salary includes arrears for previous financial years. Gross salary range would not change.

Note 2: Mark Doyle commenced as Interim Director of Finance for 2 days per week with effect from 21/02/2019. He is seconded from NHS Fife and his pension benefits will be disclosed by them.

Note 3: Marthinus Roos' salary includes arrears for previous financial years. Gross salary range would not change.

Note 4: Louise Wilson's salary includes Discretionary point arrears for previous financial year. Gross salary would represent an annual range of £145,000-£150,000.

Note 5: Ian Kinniburgh resigned as Board Chair on 30/11/19. Gross salary would represent an annual range of £25,000-£30,000.

Note 6: David Drever acted as Interim Board Chair for the period 01/12/19 to 29/02/20. Gross salary would represent an annual range of £25,000-£30,000.

Note 7: Meghan McEwen transferred from Non Executive Board Member to Board Chair on 01/03/20. Gross salary would represent an annual range of £25,000-£30,000.

Note 8: Meghan McEwen resigned from being Non Executive Board Member on 01/03/20. Gross salary would represent an annual range of £5,000-£10,000.

Note 9: Jason Taylor commenced as Non Executive Board Member on 01/02/20. Gross salary would represent an annual range of £5,000-£10,000.

Note 10: 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 11: 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 2021

	Total accrued pension at pensionable age at 31 March 2021 (Bands of £5,000) £'000	Real increase in pension at pensionable age (Bands of £2,500) £'000	Accrued Lump Sum as at age 65 at 31 March 2021 (Bands of £5,000) £'000	Real Increase in Lump Sum at age 65 (Bands of £2,500) £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2021 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2020 £'000	Real increase in CETV in year £'000
Chief Executive: Gerry O'Brien	35-40	0	110-115	0	874	858	16
Interim Chief Executive: Michael Dickson (1)							
Director of Nursing, AHPs & Midwifery: David McArthur	5-10	0-2.5	10-15	(0)-(2.5)	196	168	28
Director of Finance: Mark Doyle (2)	25-30	2.5-5	65-70	7.5-10	587	488	98
Interim Director of Human Resources: Lorraine Hall (3)							
Medical Director: Marthinus Roos	50-55	0-2.5	155-160	5-7.5	1,265	1,220	19
Director of Public Health: Dr Louise Wilson	60-65	2.5-5	180-185	10-12.5	1,448	1,331	73
Non Executive Director: Steven Johnston	15-20	0-2.5	0	0	174	152	22
Non Executive Director: Fiona MacKeller	10-15	0-2.5	25-30	0-2.5	233	213	20
						Total	276

Note 1: Michael Dickson commenced as Interim Chief Executive with effect from 01/07/2020. He is seconded from NHS Shetland and pension benefits will be disclosed by them

Note 2: Mark Doyle commenced substantive role 25/09/2020

Note 3: Lorraine Hall commenced as Interim Director of Human Resources from 01/10/2020. She is seconded from NHS Shetland and pension benefits will be disclosed by them

FOR THE YEAR ENDED 31 MARCH 2020

	Total accrued pension at pensionable age at 31 March 2020 (Bands of £5,000) £'000	Real increase in pension at pensionable Age (Bands of £2,500) £'000	Accrued Lump Sum as at age 65 at 31 March 2020 (Bands of £5,000) £'000	Real Increase in Lump Sum at age 65 (Bands of £2,500) £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2020 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2019 £'000	Real increase in CETV in year £'000
Chief Executive: Gerry O'Brien	35-40	0	110-115	0	848	854	6
Director of Nursing, AHPs & Midwifery: David McArthur	5-10	0-2.5	10-15	0	56	81	25
Director of Finance: Mark Doyle (1)							
Medical Director: Marthinus Roos	50-55	2.5-5	150-155	7.5-10	1,147	1,214	43
Director of Public Health: Dr Louise Wilson	55-60	2.5-5	165-170	7.5-10	1,206	1,294	56
Non Executive Director: Steven Johnston	15-20	0-2.5	0	0	48	62	15
Non Executive Director: Fiona MacKeller	10-15	0-2.5	25-30	2.5-5	175	212	37
						Total	182

Note 1: Mark Doyle commenced as Interim Director of Finance with effect from 21/02/2019. He is seconded from NHS Fife and his pension benefits will be disclosed by them

Additional Disclosure in respect of Hutton Review on Fair Pay in the Public Sector

The Hutton Review reported its recommendations on disclosure of public sector pay in March 2011. The additional disclosure compares the banded remuneration of the highest paid Director against the median salary for the workforce each year. This disclosure is subject to audit.

2020/21		2019/20	
Range of staff remuneration (£000s)	8-286	Range of staff remuneration (£000s)	8-196
Highest Earning Director's Total Remuneration (£000s)	285-290	Highest Earning Director's Total Remuneration (£000s)	195-200
Median Total Remuneration	£33,256	Median Total Remuneration	£31,978
Ratio	8.61	Ratio	6.13
Commentary The values above are based on salaries for full time equivalent pay.			

Remuneration Committee

The Remuneration Committee ensures that arrangements are in place to comply with NHS Orkney policy and Scottish Government direction and guidance for determining the employment, remuneration and terms and conditions of employment, The committee is also responsible for approving the personal objectives of all Executive Directors.

Membership of the Remuneration Committee comprises:

Meghan McEwen	(Chair) From
James Stockan	(Vice Chair)
David Campbell	(Non Executive Board Member)
Fiona MacKellar	(Employee Director)

During 2020/21 the Remuneration Committee met 6 times.

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 relevant updates to Pay and Conditions of Service issued.

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.

B) STAFF REPORT

1. The Workforce/ Staff Governance

Covid-19 brought many challenges and highlighted the real value of working together.

At the heart of what we deliver in services are our staff. It is vital that we not only attract, recruit and retain staff but develop us as staff to achieve our potential and for us as NHS Orkney to be seen as an Employer that listens. This is not always easy and there has been a number of complex issues that have eroded staff confidence in the Board's ability to listen. However, regardless of what our titles are we are all staff who make up the Board and therefore changing and aligning our new Culture to one that hears, listens and takes action in a caring, compassionate and thoughtful way is our ambition for the future and our focus.

We have submitted our Interim Workforce Plan to the Scottish Government covering 1 April 2021 – 31 March 2022. As we move through the 2021/2022 year we will be working in partnership with counterparts in the Orkney Island Council (OIC) to prepare the Health and Care workforce plan.

A large part of delivering services is in how we attract and appoint staff.

In 2020/21, we recruited 181 colleagues (53 fixed term colleagues, 45 permanent colleagues and 86 colleagues to the Bank – which include 6 Locum Appointed for Service Doctors, 9 Student Nurses and 7 Emergency registered nurses to support with COVID vaccinations).

We have also developed an NHS Orkney recruitment pack and are trialling this as a test of change for Consultant Surgeons.

The use of agency medical, nursing and Allied Health Professional staffing has remained at a high level throughout the year, this has been necessary to cover critical roles to meet our Covid-19 requirements and to remobilise services.

Organisational Development

During the year we delivered development sessions to the Area Partnership Forum on Compassionate, Collaborative and Collective leadership and to the Staff Governance Committee on how to develop an action plan that meets the five pillars of the standard using quality improvement principles. Both of these interventions ensures that the Committees are focused not only on the what as part of their 'Roles and Remit' but also on the how, again enabling us to have conversations around setting the culture defining the pace.

Training and Education

Early in 2020 the Learning & Development (L&D) team rolled out an online learning magazine self-service, learning management system, to the organisation. With Covid-19, staff were advised to work from home and the new system proved to be difficult due to accessibility issues. Unfortunately, the team had to return to booking

all staff onto training manually. For the team, with Covid-19 the focus soon changed to supporting with inducting emergency new starts and covering all the necessary training - coordinating start dates, inductions, and training sessions. Also, during this period, the L&D team heavily supported the organisation by co-ordinating and recording all training that took place in the surge and ventilation units.

Due to Covid-19 the team have had to develop new ways of working, including the development of a Digital Induction for new starts and students as well as new processes for onboarding. The team have had to explore and adapt the way that training is delivered. With the rollout of Microsoft Teams there have been opportunities to offer many sessions via Video Conferencing. Microsoft Teams has also been utilised for creating groups such as a line managers page with all information on onboarding new starts, training and development opportunities and information on all statutory and mandatory learning requirements.

2. Staff Costs

The following table summarises total staff costs and numbers for 2020/21 and the prior year:

2019/20		2020/21						
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
23,229	Salaries and wages	678	233	26,768				27,679
2,342	Taxation and Social security costs	67	22	2,662				2,751
4,091	NHS scheme employers' costs	93	27	4,479				4,599
186	Secondees				460		(199)	261
3,292	Agency staff					4,857		4,857
33,140		838	282	33,909	460	4,857	(199)	40,147
0	Compensation for loss of office or early retirement	89	0	0	0	0	0	89
33,140	TOTAL	927	282	33,909	460	4,857	(199)	40,236

There were no staff engaged directly on capital projects in 2020/21 (2019/20 £358,000).

The Interim Director of Finance was an inward secondee until 24/09/2021 and therefore is included in the above, however, due to being a board member, is also included in the remuneration report.

£5.5m of total staff costs for 2020/21 relate to Covid-19 expenditure.

The staff costs are included under Note [3a](#) £40.435m and Note [4](#) income £160,000 (£125,000 relates to other NHS Scotland bodies).

Staff Numbers

603	Whole Time Equivalent (WTE)	5	11	613	5	41	(3)	672
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5	Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:	0
6	Included in the total staff numbers above were disabled staff of:	6

3. Staff Composition

	As at 31 March 2020			As at 31 March 2021		
	Male	Female	Total	Male	Female	Total
Executive Directors	4	1	5	4	2	6
Non-Executive Directors and Employee Director	5	4	9	5	5	10
Senior Employees	23	17	40	21	19	40
Other	110	529	639	110	552	662
Total Head Count	142	551	693	140	578	718

4. Higher Paid Employees Remuneration

	2019/20 Number	2020/21 Number
Clinicians		
7	£70,001 to £80,000	5
4	£80,001 to £90,000	5
4	£90,001 to £100,000	5
3	£100,001 to £110,000	3
0	£110,001 to £120,000	2
2	£120,001 to £130,000	2
2	£130,001 to £140,000	2
1	£140,001 to £150,000	4
1	£150,001 to £160,000	3
0	£160,001 to £170,000	0
0	£170,001 to £180,000	0
1	£180,001 to £190,000	0
1	£190,001 to £200,000	1
1	£200,001 and above	2
Other		
3	£70,001 to £80,000	3
2	£80,001 to £90,000	0
1	£90,001 to £100,000	3
1	£100,001 to £110,000	1
0	£130,001 to £140,000	0

5. Sickness Absence Data

NHS Orkney proactively manage staff who are absent in the workplace due to sickness. Staff are encouraged to return to work as soon as possible which may include adjustment programmes longer than 4 weeks when clinically justified. With an aging workforce, people take longer to recover from accidents and injuries and it's paramount that they be supported to return to work as soon as possible. Our overall sickness absence rate continues to be higher than that of the National Heat Standard of 4%.

	2019/20	2020/21
Sickness absence data	4.7%	4.9%

6. Staff Policies applied during the year relating to 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](#)

7. Exit Packages

There were no compulsory redundancies in 2020/21 or 2019/20 or exit packages provided in 2019/20. There was one exit package in 2020/21:

2020/21

Exit package cost band	Number of other departures agreed	Cost of exit packages £'000
£50,000 - £100,000	1	89
Total exit packages	1	89

8. 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 2020 to 31 March 2021	Full-time equivalent employee number
21	16.59

Percentage of time spent on facility time

Percentage of time	Number of representatives
0%	11
1 - 50%	10
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time	£14,159
Total pay bill	£40,434,293
Percentage of the total pay bill spent on facility time	0.04%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	1%
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C) PARLIAMENTARY ACCOUNTABILITY

1. 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 2020/21 or 2019/20.

There were no special payments written off during 2020/21 or 2019/20, however, the losses accounted for are as follows:-

	<i>2020/21</i>		<i>2019/20</i>	
	<i>No. of cases</i>	<i>£'000</i>	<i>No. of cases</i>	<i>£'000</i>
Losses	19	2	18	33

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.

2. 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 2020/21 or 2019/20.

3. Contingent Liabilities

There were no contingent liabilities in 2020/21 or 2019/20.

Signed

Date 1 July 2021

Michael Dickson
Interim Chief Executive

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

Reporting 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 2021 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 Cashflows, 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 2020/21 Government Financial Reporting Manual (the 2020/21 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 2021 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 2020/21 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 for 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 five 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risk of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the board is complying with that framework;
- identifying which laws and regulations are significant in the context of the board;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the board's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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.

Reporting 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. In addition to my responsibilities to detect material misstatements in the financial statements in respect of irregularities, 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.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. 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.

Statutory other information

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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; or

- 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 Westport

Edinburgh

EH3 9DN

**STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2021**

2019/20 £'000		Notes	2020/21 £'000
33,407	Total income and expenditure		40,435
	Employee expenditure	3	
	Other operating expenditure:		
6,041	Independent Primary Care Services	3	6,823
7,223	Drugs and medical supplies	3	8,693
68,332	Other health care expenditure	3	70,073
115,003	Gross Expenditure for the year		126,024
(37,274)	Less: Other Operating Income	4	(44,111)
(113)	Associates and joint ventures accounted for on an equity basis		(991)
77,616	Net expenditure for the year		80,922

OTHER COMPREHENSIVE NET EXPENDITURE

2019/20 £'000		2020/21 £'000
(36)	Net (gain)/loss on revaluation of Property Plant and Equipment	0
127	Net (gain)/loss on revaluation investments	(158)
91	Other Comprehensive Expenditure	(158)
77,707	Comprehensive net expenditure	80,764

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

31 March 2020			31 March 2021	
Consolidated £'000	Board £'000		Consolidated £'000	Board £'000
		Notes		
		Non-Current Assets:		
73,186	73,186	Property, plant and equipment	71,388	71,388
140	140	Intangible assets	400	400
		Financial assets:		
847	0	Investments	991	0
171	0	Investments in associates and joint ventures	1,162	0
5	5	Trade and other receivables	8	8
74,349	73,331	Total non-current assets	73,949	71,796
		Current Assets:		
534	534	Inventories	722	722
		Financial assets:		
885	884	Trade and other receivables	877	874
1,535	1,406	Cash and cash equivalents	2,232	2,107
41	41	Assets classified as held for sale	41	41
2,995	2,865	Total current assets	3,872	3,744
77,344	76,196	Total assets	77,821	75,540
		Current liabilities		
(226)	(226)	Provisions	(367)	(367)
		Financial liabilities:		
(7,649)	(7,564)	Trade and other payables	(11,874)	(11,870)
(7,875)	(7,790)	Total current liabilities	(12,241)	(12,237)
69,469	68,406	Non-current assets plus/less net current assets/liabilities	65,580	63,303
		Non-current liabilities		
(1,256)	(1,256)	Provisions	(1,177)	(1,177)
0	0	Trade and other payables	0	0
(1,256)	(1,256)	Total non-current liabilities	(1,177)	(1,177)
68,213	67,150	Assets less liabilities	64,403	62,126
		Taxpayers' Equity		
66,299	66,299	General fund	61,310	61,310
851	851	Revaluation reserve	816	816
171	0	Other reserves – associates and joint ventures	1,162	0
892	0	Funds held on Trust	1,115	0
68,213	67,150	Total taxpayers' equity	64,403	62,126

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts.

The financial statements on pages 52 to 55 were approved by the board on 1 July 2021 and signed on their behalf by

.....Director of FinanceChief Executive

Date: 1 July 2021

STATEMENT OF CONSOLIDATED CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2021

2019/20			2020/21	
£'000		Notes	£'000	£'000
	Cash flows from operating activities			
(77,616)	Net expenditure	SOCTE	(80,922)	
9,831	Adjustments for non-cash transactions	2b	1,625	
(379)	Movements in working capital	2b	3,180	
(68,164)	Net cash outflow from operating activities			(76,117)
	Cash flows from investing activities			
(6,695)	Purchase of property, plant and equipment		(898)	
0	Purchase of intangible assets		(20)	
(29)	Investment Additions	10	(38)	
(1)	Proceeds of disposal of property, plant and equipment		63	
53	Receipts from sale of investments		52	
(6,672)	Net cash outflow from investing activities			(841)
	Cash flows from financing activities			
74,789	Funding	SOCTE	76,954	
(4,796)	Movement in general fund working capital	SOCTE	701	
69,993	Cash drawn down		77,655	
69,993	Net Financing			77,655
(4,843)	Net Increase in cash and cash equivalents in the period			697
6,378	Cash and cash equivalents at the beginning of the period			1,535
1,535	Cash and cash equivalents at the end of the period			2,232
	Reconciliation of net cash flow to movement in net debt/cash			
(4,843)	Increase in cash in year			697
6,378	Net debt/cash at 1 April			1,535
1,535	Net debt/cash at 31 March			2,232

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts.

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	General Fund £'000	Revaluation Reserve £'000	IJB Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2020		66,299	851	171	892	68,213
Changes in taxpayers' equity for 2020-21						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a	0	0	0	0	0
Net gain/(loss) on revaluation of investments	10	0	0	0	158	158
Impairment of property, plant and equipment		0	(237)	0	0	(237)
Impairment of intangible assets	6	0	(13)	0	0	(13)
Revaluation and impairments taken to operating Costs	2a	0	250	0	0	250
Transfers between reserves		35	(35)	0	0	0
Net operating cost for the year	SOCNE	(81,978)	0	991	65	(80,922)
Total recognised income and expense for 2020-21		(81,943)	(35)	991	223	(80,764)
Funding:						
Drawn down		77,655	0	0	0	77,655
Movement in General Fund (Creditor) / Debtor	CFS	(701)	0	0	0	(701)
Balance at 31 March 2021	SoFP	61,310	816	1,162	1,115	64,403

FOR THE YEAR ENDED 31 MARCH 2020

Balance at 31 March 2019		68,948	852	58	1,276	71,134
Changes in taxpayers' equity for 2019-20						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a	0	37	0	0	37
Net gain/(loss) on revaluation of investments	10	0	0	0	(127)	(127)
Impairment of property, plant and equipment		0	(7,549)	0	0	(7,549)
Impairment of intangible assets	6	0	0	0	0	0
Revaluation and impairments taken to operating Costs	2a	0	7,545	0	0	7,545
Transfers between reserves		34	(34)	0	0	0
Other non cash costs - transfer of asset NHS Highland		0	0	0	0	0
Net operating cost for the year	SOCNE	(77,472)	0	113	(257)	(77,616)
Total recognised income and expense for 2019-20		(77,438)	(1)	113	(384)	(77,710)
Funding:						
Drawn down		69,993	0	0	0	69,993
Movement in General Fund (Creditor) / Debtor	CFS	4,796	0	0	0	4,796
Balance at 31 March 2020	SoFP	66,299	851	171	892	68,213

The Notes to the Accounts, numbered 1 to 25, 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 2020/21:

There are no new standards, amendments and interpretations that became effective in 2020/21 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 16 – Leases (IAS 17 - replacement);
- IFRS 17 Insurance Contracts.

The impact to the financial statements as a result of the above is expected to be minimal, with the exception of IFRS 16 – Leases.

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2022. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities, and provides enhanced disclosures to improve transparency of reporting on capital employed.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, NHS Scotland have elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed. All existing operating leases will fall within the scope of IFRS 16 under 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16. In future years new contracts and contract negotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-us assets. Assets recognised under IFRS 16 will be held on the Statement of Financial

Position as (i) right-of-use assets which represent the Board's right to use the underlying leased asset; and (ii) lease liabilities which represent the obligation to make lease payments.

The bringing of leased assets onto the Statement of Financial Position will require depreciation and interest to be charged on the right-of-use asset and lease liability, respectively. Cash repayments will also be recognised in the Statement of Cash Flows, as required by IAS 7.

Impact of the new standard

The Board has assessed the likely impact to i) comprehensive net expenditure and ii) the Statement of Financial Position of applying IFRS 16. The figures below represent existing leases as at 31 March 2021.

The standard is expected to increase total expenditure by £4k. Right-of-use assets totalling £0.896 million will be brought onto the Statement of Financial Position, with an associated lease liability of £0.925 million.

2. Basis of Consolidation

Consolidation

In accordance with IFRS 10 – Consolidated 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 25 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 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.

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:

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

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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 (Scotland). This scheme is an unfunded statutory pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay as specified in the regulations. The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to the Exchequer. The pension cost is assessed every four years by the Government Actuary and this valuation 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.

17. 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 NHS Scotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in AME provision and is classified as non-core expenditure.

18. Related Party Transactions

Material related party transactions are disclosed in the note 23 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

19. 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.

20. NPD Schemes

NHS Orkney has a Non Profit Distributing (NPD) scheme which was agreed with the Scottish Government for the provision of the New Hospital and Healthcare Facility. The new facility opened in 2019/20 and is accounted for in accordance with the HM Treasury application of IFRIC 12, Service Concession Arrangements.

On completion the asset was recognised on the Statement of Financial Position at Fair Value. Ownership will pass to NHS Orkney at the end of the 25 year service contract period. Annual Service Payments (ASP) will be made over the 25 year service contract period and charged to the Statement of Comprehensive Net Expenditure.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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 note 3.

26. 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.

27. 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.

28. 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.

29. 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:

Clinical and Medical Negligence Provision: The clinical and medical negligence provision is calculated using information received from the Central Legal Office regarding claims they have received relating to NHS Orkney. The provision covers all claims classified as category 3 and 50% of the value of claims in category 2 which have been assessed as having a probability of settlement. The share of NHS Scotland CNORIS liability is estimated based on actual settlement trends in prior years.

Pension Provision: The pension provision is calculated using information received from the Scottish Public Pension Agency (SPPA) relating to former NHS Orkney employees for whom NHS Orkney have an ongoing pension liability. The liability is calculated using information obtained from SPPA and discount rates as per SGHSCD guidance.

Fair Value of Property, Plant and Equipment: 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 New Balfour Hospital and Healthcare Facility was valued on 1 July 2019, all other land and buildings were valued on 31 March 2018. In years where no valuation exercise is performed by the valuers, all property, plant and equipment are subject to a desktop valuation on the basis of local market related indices at 31 March 2021, and the impact of any impairment in value on operating costs agreed. Such indices, included zero indexation factors, were applied following consultation and advice from the Boards Property Advisor. The basis of property valuation is explained in the performance report.

In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards, the valuation is not reported as being subject to 'material valuation uncertainty'.

Leases: For all relevant agreements, NHS Orkney has made judgement as to whether substantially all the significant risks and rewards of ownership of leased assets are transferred in line with IAS 17.

NHS ORKNEY
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2021

		2020/21 £'000
2a. Summary of Core Revenue Resource Outturn		
	Notes	
Net Expenditure	SOCNE	80,922
Total Non Core Expenditure (see below)		(2,717)
FHS Non Discretionary Allocation		(2,232)
Endowment Net Expenditure		65
Associates and joint ventures accounted for on an equity basis		991
Total Core Expenditure		77,029
Core Revenue Resource Limit		77,107
Saving/(excess) against Core Revenue Resource Limit		78

Summary of Non Core Revenue Resource Outturn		
Depreciation/Amortisation		2,429
Annually Managed Expenditure – Impairments		250
Annually Managed Expenditure – Provisions		38
Total Non Core Expenditure		2,717
Non Core Revenue Resource Limit		2,717
Saving/(excess) against Non Core Revenue Resource Limit		0

Summary Resource Outturn	Resource £'000	Expenditure £'000	Saving/(Excess) £'000
Core	77,107	77,029	78
Non Core	2,717	2,717	0
Total	79,824	79,746	78

2b. Notes to the cash flow statement

Consolidated adjustments for non-cash transactions

2019/20 £'000		2020/21 £'000	Notes
	Expenditure Not Paid In Cash		
2,330	Depreciation	2,320	7a
60	Amortisation	109	6
7,549	Impairments on PPE charged to SoCNE ¹	237	
(4)	Net revaluation on PPE charged to SoCNE	0	
0	Reversal of impairments on PPE charged to SOCNE	0	
0	Impairments on intangible assets charged to SoCNE	13	6
9	Loss/(Profit) on disposal of property, plant and equipment	(63)	
(113)	Associates and joint ventures accounted for on an equity basis	(991)	SOCNE
9,831	Total Expenditure Not Paid In Cash	1,625	CFS

¹ Impairment of Purchased Assets £7.549m ([SOCNE](#)) in 2019/20.

Interest payable recognised in operating expenditure

There was no interest payable in 2019/20 or 2020/21.

Consolidated movements in working capital

2019/20		2020/21			Notes
		Opening Balances £'000	Closing Balances £'000	Net Movement £'000	
	INVENTORIES				
(55)	Consolidated Statement of Financial Position	534	722		8
(55)	Net Decrease/(Increase)			(188)	
	TRADE AND OTHER RECEIVABLES				
958	Due within one year	885	877		9
60,795	Due after more than one year	5	8		9
		890	885		
61,753	Net Decrease/(Increase)			5	
	TRADE AND OTHER PAYABLES				
(9,674)	Due within one year	7,649	11,874		12
(60,796)	Due after more than one year	0	0		
3,490	Less: Property, Plant & Equipment (Capital) included in above	(23)	(246)		
4,796	Less: General Fund Creditor included in above	(1,409)	(2,110)		
		6,217	9,518		
(62,184)	Net Increase/(Decrease)			3,301	
	PROVISIONS				
107	Statement of Financial Position	1,482	1,544		13a
107	Net Increase			62	
(379)	NET MOVEMENT Increase/(Decrease)			3,180	CFS

3. Operating expenses

3a. Staff costs

2019/20 £'000		2020/21 £'000	Notes
8,614	Medical and Dental	10,107	
10,241	Nursing	13,266	
14,552	Other Staff	17,062	
33,407	Total	40,435	SOCNE

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

3b. Other operating expenditure

2019/20		2020/21	
Consolidated £'000		Board £'000	Consolidated £'000
	Independent Primary Care Services:		
3,914	General Medical Services	4,167	4,167
727	Pharmaceutical Services	1,218	1,218
1,102	General Dental Services	1,134	1,134
298	General Ophthalmic Services	304	304
6,041	Total Independent Primary Care Services	6,823	6,823
	Drugs and medical supplies:		
3,952	Prescribed drugs and appliances - Primary Care	4,077	4,077
2,136	- Secondary Care	2,670	2,670
0	PPE and Testing Kits	888	888
1,135	Medical Supplies	1,058	1,058
7,223	Total Drugs and medical supplies	8,693	8,693
	Other health care expenditure		
34,884	Contribution to Integrated Joint Boards	42,215	42,215
8,211	Goods and services from other NHS Scotland bodies	7,147	7,147
11	Goods and services from other UK NHS bodies	45	45
859	Goods and services from private providers	819	819
93	Goods and services from voluntary organisations	90	90
2,207	Resource Transfer	2,270	2,270
9	Loss on disposal of assets	0	0
21,671	Other operating expenses	17,348	17,348
71	Auditor's remuneration - statutory audit fee	73	73
316	Endowment Fund expenditure	0	66
68,332	Total Other health care expenditure	70,007	70,073
81,596	Total	85,523	85,589

4. Operating Income

2019/20		2020/21		Notes
Consolidated £'000		Board £'000	Consolidated £'000	
151	Income from Scottish Government	214	214	
779	Income from other NHS Scotland bodies	440	440	
251	Income from NHS non-Scottish bodies	36	36	
34,884	Income for services commissioned by Integrated Joint Board (IJB)	42,215	42,215	
347	Patient charges for primary care	52	52	
0	Donations	201	201	
0	Profit of disposal of assets	63	63	
0	Contribution in respect of clinical and medical negligence claims	25	25	
	Non NHS:			
74	Overseas patients (non-reciprocal)	4	4	
59	Endowment Fund Income	0	131	
729	Other	730	730	
37,274	Total Income	43,980	44,111	SOCNE

5. Segmental Information

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

	Hospital Services £'000	Pharmacy & Drugs Costs £'000	Orkney Health & Care £'000	Dental, Ophthalmic and Pharmacy NCL £'000	Covid -19 £'000	Savings Target £'000	External Commissioning £'000	Estates & Facilities £'000
2020/21 Net operating cost	12,757	3,184	29,179	2,232	11,808	(5,231)	11,035	7,120

2019/20 Net operating cost	13,704	2,494	24,803	1,762	0	0	11,139	5,765
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	Annually Managed Expenditure £'000	Support Services £'000	Depreciation £'000	IJB Savings Target £'000	Endowments £'000	Total £'000
2020/21 Net operating cost	290	7,176	2,428	(991)	(65)	80,922
2019/20 Net operating cost	9,097	6,309	2,399	(113)	257	77,616

6. Intangible Assets

Movements in 2020/21	Notes	Software Licences £'000	IT - Software £'000	Total £'000
Cost or Valuation:				
As at 1st April 2020		1,182	0	1,182
Additions		0	20	20
Completions		0	362	362
Transfers		(1,179)	1,179	362
Impairment charges		0	(85)	(85)
At 31st March 2021		3	1,476	1,479
Amortisation				
As at 1st April 2020		1,042	0	1,042
Provided during the year		0	109	109
Transfers between asset categories		(1,039)	1,039	0
Impairment charges		0	(72)	(72)
At 31st March 2021		3	1,076	1,079
Net Book Value at 1st April 2020		140	0	140
Net Book Value at 31 March 2021	SoFP	0	400	400

Movements in 2019/20	Notes	Software Licences £'000	IT – Software £'000	Total £'000
Cost or Valuation:				
As at 1st April 2019		1,182	0	1,182
Additions	2	0	0	0
Completions		0	0	0
Transfers		0	0	0
Impairment charges		0	0	0
At 31st March 2020		1,182	0	1,182
Amortisation				
As at 1st April 2019		982	0	982
Provided during the year		60	0	60
At 31st March 2020		1,042	0	1,042
Net Book Value at 1st April 2019		200	0	200
Net Book Value at 31 March 2020	SoFP	140	0	140

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

Movements in 2020/21	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 2020		1,896	65,971	373	444	11,344	5,728	1,041	552	87,349
Additions		0	13	0	0	228	202	0	678	1,121
Completions		0	102	0	0	5	8	0	(115)	0
Transfers between asset categories		0	0	0	0	0	0	0	(362)	(362)
Revaluation		0	0	0	0	0	0	0	0	0
Impairment charges		0	0	0	0	(126)	(438)	(32)	0	(596)
Impairment reversals		0	0	0	0	0	0	0	0	0
Disposals - purchased		0	0	0	0	(431)	(28)	(6)	0	(465)
At 31 March 2021		1,896	66,086	373	444	11,020	5,472	1,003	753	87,047
Depreciation										
At 1 April 2020		0	3,519	93	381	6,513	3,396	261	0	14,163
Provided during the year-purchased		0	1,319	22	30	199	576	174	0	2,320
Revaluation		0	0	0	0	0	0	0	0	0
Impairment charges		0	0	0	0	(68)	(268)	(23)	0	(359)
Impairment reversals		0	0	0	0	0	0	0	0	0
Disposals - purchased		0	0	0	0	(431)	(28)	(6)	0	(465)
At 31 March 2021		0	4,838	115	411	6,213	3,676	406	0	15,659
Net book value at 1 April 2020		1,896	62,452	280	63	4,831	2,332	780	552	73,186
Net book value at 31 March 2021	SoFP	1,896	61,248	258	33	4,807	1,796	597	753	71,388

Open Market Value of Land in Land and Dwellings Included Above	1,896
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Asset financing:

Owned-purchased	1,896	2,627	258	33	4807	1,796	596	753	12,766
On-balance sheet NPD contracts	0	58,621	0	0	0	0	1	0	58,622
Net book value at 31 March 2021	SoFP	1,896	61,248	258	33	4,807	1,796	597	71,388

Prior year Purchased Assets

Movements in 2019/20	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 2019		1,896	5,102	372	435	6,733	3,445	193	73,615	91,791
Additions		0	52	0	17	137	111	0	2,888	3,205
Completions		0	66,941	0	0	4,724	3,433	853	(75,951)	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	41	1	0	0	0	0	0	42
Impairment charges		0	(6,165)	0	0	(224)	(1,246)	(5)	0	(7,640)
Impairment reversals		0	0	0	(8)	(21)	(15)	0	0	(44)
Disposals		0	0	0	0	(5)	0	0	0	(5)
At 31 March 2020		1,896	65,971	373	444	11,344	5,728	1,041	552	87,349
Depreciation										
At 1 April 2019		0	2,409	71	357	5,875	3,073	175	0	11,960
Provided during the year-purchased		0	1,119	22	32	667	401	89	0	2,330
-donated		0	0	0	0	0	0	0	0	0
Revaluations		0	5	0	0	0	0	0	0	5
Impairment charges		0	(14)	0	0	(11)	(63)	(3)	0	(91)
Impairment reversals		0	0	0	0	0	0	0	0	0
Disposals – purchased		0	0	0	(8)	(14)	(15)	0	0	(37)
– donated		0	0	0	0	(4)	0	0	0	(4)
At 31 March 2020		0	3,519	93	381	6,513	3,396	261	0	14,163
Net book value at 1 April 2019		1,896	2,693	301	78	858	372	18	73,615	79,831
Net book value at 31 March 2020	SoFP	1,896	62,452	280	63	4,831	2,332	780	552	73,186

Open Market Value of Land in Land and Dwellings Included Above	1,896	280
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Asset financing:

Owned-purchased	1,896	2,614	280	63	4,831	2,332	780	552	13,348
-donated	0	0	0	0	0	0	0	0	0
On-balance sheet NPD contracts	0	59,838	0	0	0	0	0	0	59,838
Net book value at 31 March 2019	SoFP	1,896	62,452	280	63	4,831	2,332	552	73,186

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 2020/21	Notes	Property, Plant & Equipment £'000
At 1 April 2020		41
Transfers from property, plant and equipment		0
As at 31 March 2021	SoFP	41

Movements in 2019/20		Property, Plant & Equipment £'000
At 1 April 2019		41
Transfers from property, plant and equipment		0
As at 31 March 2020	SoFP	41

The old Balfour site remains part of our non-current assets at 31/03/21 as the provision of additional capacity is required during the Covid-19 outbreak and the site usage is included in contingency plans required by Scottish Government. The site will be marketed for sale when it is surplus to requirements.

7(c). Property, Plant and Equipment Disclosures

2019/20 £'000		2020/21 £'000	Notes
	Net book value of property, plant and equipment at 31 March		
73,186	Purchased	71,388	
0	Donated	0	
73,186	Total	71,388	SoFP

1,896	Net book value related to land valued at open market value at 31 March	1,896
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280	Net book value related to buildings valued at open market value at 31 March	258
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59,838	Total value of assets held under NPD contract	58,622
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With the exception of the New Hospital and Healthcare Facility completed in 2019/20, 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 31/03/2021 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 New Hospital and Healthcare Facility was valued by an independent valuer on 01/07/2019, the asset was impaired to recognise as a completed asset at fair value on that date.

The indexation rate for 2020/21 was advised to be 0.00%, there was therefore no impact on the revaluation reserve (2019/20: an increase of £0.033m). Impairment of £0.237m (2019/20: £7.545m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn for the impairment of Property, Plant and Equipment.

7(d). Analysis of Capital Expenditure

2019/20 £'000		2020/21 £'000	Notes
	EXPENDITURE		
0	Acquisition of Intangible Assets	20	6
3,205	Acquisition of Property, plant and equipment	1,121	7a
3,205	Gross Capital Expenditure	1,141	
	INCOME		
7	Net book value of disposal of Property, plant and equipment	0	7a
1	Value of disposal of Non-Current Assets held for sale	0	
8	Capital Income	0	

3,197	Net Capital Expenditure	1,141
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SUMMARY OF CAPITAL RESOURCE OUTTURN

3,205	Core capital expenditure included above	1,078
3,206	Core Capital Resource Limit	1,078
1	Saving/(excess) against Core Capital Resource Limit	0
3,205	Total Capital Expenditure	1,078
3,206	Total Capital Resource Limit	1,078

1	Saving/(excess) against Total Capital Resource Limit	0
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8. Inventories

2019/20 £'000	Notes	2020/21 £'000
534	Raw Materials and Consumables	722
534	Total Inventories	722

9. Trade and Other Receivables

Consolidated 2019/20 £'000	Board 2019/20 £'000		Consolidated 2020/21 £'000	Board 2020/21 £'000	Notes
		Receivables due within one year			
		NHS Scotland			
10	10	Scottish Government Health & Social Care Directorate	127	127	
221	221	Boards	200	200	
231	231	Total NHS Scotland Receivables	327	327	
57	57	NHS Non-Scottish Bodies	2	2	
51	51	VAT recoverable	134	134	
289	289	Prepayments	179	179	
233	233	Other Receivables	108	108	
0	0	Reimbursement of provisions	25	25	
23	23	Other Public Sector Bodies	99	99	
1	0	Endowments consolidation	3	0	
885	884	Total Receivables due within one year	877	874	SoFP
		Receivables due after more than one year			
		NHS Scotland			
5	5	Accrued income	8	8	
5	5	Total Receivables due after more than one year	8	8	SoFP
890	889	TOTAL RECEIVABLES	885	882	
14	14	The total receivables figure above includes a provision for impairments of :	6	6	
		WGA Classification			
221	221	NHS Scotland	200	200	
59	59	Central Government Bodies	129	129	
23	23	Whole of Government Bodies	99	99	
57	57	Balances with NHS Bodies in England and Wales	2	2	
530	529	Balances with bodies external to Government	455	452	
890	889	Total	885	882	

2019/20 £'000	2019/20 £'000	Movements on the provision for impairment of receivables are as follows:	2020/21 £'000	2020/21 £'000
0	0	At 1 April	14	14
14	14	Provision for impairment	1	1
0	0	Receivables written off during the year as uncollectible	(8)	(8)
0	0	Unused amounts reversed	(1)	(1)
14	14	At 31 March	6	6

As of 31 March 2021, receivables with a carrying value of £6k (2019/20: £14k) were impaired and provided for. The ageing of these receivables is as follows:

Consolidated 2019/20 £'000		Consolidated 2020/21 £'000
0	3 to 6 months past due	0
14	Over 6 months past due	6
14		6

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2021, receivables with a carrying value of £0.836m (2019/20: £0.660m) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Consolidated 2019/20 £'000	Board 2019/20 £'000		Consolidated 2020/21 £'000	Board 2020/21 £'000
661	660	Up to 3 months past due	839	836
87	87	3 to 6 months past due	12	12
60	60	Over 6 months past due	40	40
808	807		891	888

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

Consolidated 2019/20 £'000		Consolidated 2020/21 £'000	Notes
82	Government securities	80	
765	Other	910	
847	TOTAL	990	SoFP
998	At 1 April	847	
29	Additions	38	CFS
(52)	Disposals	(52)	
(128)	Revaluation surplus/(deficit) transferred to equity	158	SOCTE
847	At 31 March	991	
847	Non-current	991	SoFP
847	At 31 March	991	
0	The carrying value includes an impairment provision of	0	

All the transactions relate to the endowment funds.

11. Cash and Cash Equivalents

Consolidated 2019/20 £'000		Consolidated 2020/21 £'000	Notes
6,378	Balance at 1 April	1,535	
(4,843)	Net change in cash and cash equivalent balances	697	CFS
1,535	Balance at 31 March	2,232	SoFP
1,535	Total Cash – Cash Flow Statement	2,232	

1,378	Government Banking Service	2,095
28	Commercial banks and cash in hand	12
129	Endowment cash	125
1,535	Balance at 31 March	2,232

12. Trade and Other Payables

Consolidated 2019/20 £'000	Board 2019/20 £'000		Consolidated 2020/21 £'000	Board 2020/21 £'000	Notes
		Payables due within one year			
		NHS Scotland			
0	0	SGHSCD	0	0	
1,650	1,650	Boards	1,549	1,549	
1,650	1,650	Total NHS Scotland Payables	1,549	1,549	
31	31	NHS Non-Scottish Bodies	61	61	
1,409	1,409	Amounts Payable to General Fund	2,110	2,110	
574	574	FHS Practitioners	659	659	
837	837	Trade Payables	816	816	
1,222	1,222	Accruals	2,621	2,620	
0	0	Deferred income	55	55	
606	606	Income tax and social security	713	713	
518	518	Superannuation	550	550	
193	193	Holiday Pay Accrual	270	270	
523	523	Other Public Sector Bodies	2,467	2,467	
1	1	Other payables	0	0	
85	0	Endowments Consolidation	3	0	
7,649	7,564	Total Payables due within one year	11,874	11,870	SoFP
		Payables due after more than one year			
0	0	Other payables	0	0	
7,649	7,564	TOTAL PAYABLES	11,874	11,870	

WGA Classification

1,650	1,650	NHS Scotland	1,549	1,549	
0	0	Central Government Bodies	0	0	
509	509	Whole of Government Bodies	2,465	2,465	
31	31	Balances with NHS Bodies in England and Wales	61	61	
5,459	5,374	Balances with bodies external to Government	7,799	7,795	
7,649	7,564	Total	11,874	11,870	

All carrying amounts of payables are denominated in pounds sterling

13. Provisions

Movements in 2020/21	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000
At 1 April 2020	315	0	1,167	1,482
Arising during the year	48	50	52	150
Utilised during the year	(27)	0	(52)	(79)
Unwinding of Discount	0	0	0	0
Reversed unutilised	(9)	0	0	(9)
At 31 March 2021	327	50	1,167	1,544

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

Analysis of expected timing of discounted flows to 31 March 2021

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000	Notes
Payable in one year	27	50	290	367	SoFP
Payable between 2 - 5 years	0	0	709	709	
Payable between 6 - 10 years	0	0	61	61	
Thereafter	300	0	107	407	
At 31 March 2021	327	50	1,167	1,544	

Movements in 2019/20	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000
At 1 April 2019	328	0	1,047	1,375
Arising during the year	15	0	127	142
Utilised during the year	(28)	0	(7)	(35)
Unwinding of Discount	0	0	0	0
Reversed unutilised	0	0	0	0
At 31 March 2020	315	0	1,167	1,482

Analysis of expected timing of discounted flows to 31 March 2020

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000	Notes
Payable in one year	28	0	198	226	SoFP
Payable between 2 - 5 years	0	0	700	700	
Payable between 6 - 10 years	0	0	58	58	
Thereafter	287	0	211	498	
At 31 March 2020	315	0	1,167	1,482	

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 outstanding clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. The impact of the provision is offset by an associated receivable disclosed in note 9, recognising the expected reimbursement of settlement costs, through the Board's participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS).

Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

2019/20 £'000		2020/21 £'000	Notes
0	Provision recognising individual claims against the NHS Board as at 31 March	50	13
0	Associated CNORIS receivable at 31 March	(25)	9
1,167	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	1,167	13
1,167	Net Total Provision relating to CNORIS at 31 March	1,192	

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.

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 2020/21 or 2019/20.

15. Events After the Reporting Period

There were no Post Balance Sheet date events having a material effect on the accounts.

16. Capital Commitments

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

2019/20		2020/21
Property, plant and equipment: £'000		Property, plant and equipment: £'000
	Contracted	
0	Medical Equipment	40
0	Total	40

17. Commitments under leases

2019/20 £'000	Operating Leases	2020/21 £'000
	Obligations under operating leases comprise:	
	Land	
7	Not later than one year	16
7	Later than one year, not later than 2 years	0
0	Later than two year, not later than five years	0
0	Later than five years	0
	Buildings	
95	Not later than one year	157
81	Later than one year, not later than 2 years	29
59	Later than two year, not later than five years	29
0	Later than five years	0
	Other	
0	Not later than one year	5
3	Later than one year, not later than 2 years	5
8	Later than two year, not later than five years	16

Amounts charged to Operating Costs in the year were:

14	Hire of equipment (including vehicles)	7
178	Other operating leases	161
192	Total	168

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. During 2019/20 the New Hospital and Healthcare Facility was recognised on Statement of Financial Position at Fair Value. NHS Orkney will make Annual Service Payments over the 25 year period of the contract which will be charged to the Statement of Comprehensive Net Expenditure as they are incurred. Ownership of the New Hospital and Healthcare Facility will pass to NHS Orkney at the end of the 25 year period. The Annual Service Payments made in 2020/21 totalled £1.801m (2019/20 £1.505m).

19. Pension Costs

2019/20 £'000		2020/21 £'000
4,543	Pension cost charge for the year	4,997
2	Additional Costs arising from early retirement	25
315	Provisions/Liabilities/Pre-payments included in the Balance Sheet	327

NHS Orkney participates in the NHS Pension scheme (Scotland) which is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions, with reference to the most recent funding valuation undertaken by the scheme actuary as at 31 March 2016, is set at 20.9% of pensionable pay from 1 April 2019. The employee rate is variable and will provide an actuarial yield of 9.6% of pensionable pay.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the NHS Pension Scheme (Scotland) is known and its impact fully assessed in relation to any additional costs to the scheme.

The Scheme is an unfunded multi-employer defined benefit scheme where the share of the assets and liabilities applicable to each employer is not identified. NHS Orkney will therefore account for its pension costs on a defined contribution basis as permitted by International Accounting Standard 19. Details of the most recent scheme accounts published by the Scottish Public Pensions Agency (SPPA) can be accessed at the following [link](#).

NHS Orkney has no liability for other employers obligations to the multi-employer scheme and as the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

For 2020/21, normal employer contributions of £4.997m were payable to the SPPA (2019/20 £4.543m) at the rate of 20.9% of pensionable salaries. During 2019/20 NHS Orkney incurred £0.025m of additional costs arising from the early retirement of staff (2019/20 £0.002m). Provisions amounting to £0.327m (2019/20 £0.315m) are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly.

Changes to the scheme were implemented from 1 April 2008 and again from 1 April 2015.

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 2020-21 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

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 £6,136 up to £50,000, 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 choose 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.

20. Retrospective Restatements

There were no prior year adjustments.

21. Financial Instruments

21(a). Financial Instruments by Category

Financial Assets	Consolidated			Board	
	Loans and Receivables £'000	Financial Assets £'000	Total £'000	Loans and Receivables £'000	Notes
2020/21					
At 31 March 2021					
Assets per Consolidated Statement of Financial Position					
Investments	0	990	990	0	10
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	220	0	220	217	9
Cash and cash equivalents	2,232	0	2,232	2,107	11
	2,452	990	3,442	2,324	

	Consolidated			Board	
	Loans and Receivables £'000	Financial Assets £'000	Total £'000	Loans and Receivables £'000	Notes
2019/20					
At 31 March 2020					
Assets per Consolidated Statement of Financial Position					
Investments	0	847	847	0	10
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	319	0	319	318	9
Cash and cash equivalents	1,535	0	1,535	1,406	11
	1,854	847	2,701	1,724	

Financial Liabilities	Consolidated		Board	
		Other financial liabilities £'000		Notes
2020/21				
At 31 March 2021				
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		9,007	9,003	12
		9,007	9,003	

	Consolidated		Board	
		Other financial liabilities £'000		Notes
2019/20				
At 31 March 2020				
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		4,875	4,790	12
		4,875	4,790	

21(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 2021 was £9.004m (31 March 2020 was £4.790m).

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.

22. Derivative Financial Instruments

NHS Orkney does not have any derivative financial instruments.

23. Related Party Transactions

Jason Taylor is a member of Management Committee of Orkney Housing Association Ltd. In year, NHS Orkney received invoices from Orkney Housing Association Ltd for £29,988.42. At 31 March 2021 nil was due by NHS Orkney.

Michael Dickson, Interim Chief Executive is also Chief Executive for NHS Shetland. At 31 March 2021 the amount due to NHS Shetland was £14,815.66. The spend with NHS Shetland for 2020/21 was £185,664.36. The amount due from NHS Shetland was £55,987.57.

The directors of the Board are also Trustees of Orkney Health Board Endowment funds. At 31 March 2021 there were nil outstanding debts due to NHS Orkney and nil due by NHS Orkney.

The Integrated Joint Board expenditure in 2020/21 was £42.215m (2019/20: £33.884m). £2.323m is due as a creditor to the IJB at 31 March 2021.

24. Third Party Assets

There were no Patients' Private Fund Accounts held in 2020/21 or 2019/20.

25(a). Consolidated Statement of Comprehensive Net Expenditure

2019/20		2020/21				
Group £'000		Notes	Board £'000	IJB £'000	Endowments £'000	Consolidated £'000
	Total income and expenditure					
33,407	Staff costs	N3	40,435	0	0	40,435
	Other operating expenditure:					
6,041	Independent Primary Care Services	N3	6,823	0	0	6,823
7,223	Drugs and medical supplies		8,693	0	0	8,693
68,332	Other health care expenditure		70,007	0	66	70,073
115,003	Gross Expenditure for the year		125,958	0	66	126,024
(37,274)	Less: Other Operating Income	N4	(43,980)	0	(131)	(44,111)
(113)	Associates and joint ventures accounted for on an equity basis	N4	0	(991)	0	(991)
77,616	Net Operating Costs		81,978	(991)	(65)	80,922

25(b). Consolidated Statement of Financial Position

2019/20		2020/21				
Consolidated £'000		Notes	Board £'000	IJB £'000	Endowment £'000	Consolidated £'000
	Non-current assets:					
73,186	Property, plant and equipment	SoFP	71,388	0	0	71,388
140	Intangible assets	SoFP	400	0	0	400
	Financial assets:					
847	Investments	SoFP	0	0	991	991
171	Associates and joint ventures accounted for on an equity basis	25a	0	1,162	0	1,162
5	Trade and other receivables	SoFP	8	0	0	8
74,349	Total non-current assets		71,796	1,162	991	73,949
	Current Assets:					
534	Inventories	SoFP	722	0	0	722
	Financial assets:					
885	Trade and other receivables	SoFP	874	0	3	877
1,535	Cash and cash equivalents	SoFP	2,107	0	125	2,232
41	Assets classified as held for sale	SoFP	41	0	0	41
2,995	Total current assets		3,744	0	128	3,872
77,344	Total assets		75,540	1,162	1,119	77,821
(226)	Provisions	SoFP	(367)	0	0	(367)
	Financial liabilities:					
(7,649)	Trade and other payables	SoFP	(11,870)	0	(4)	(11,874)
(7,875)	Total current liabilities		(12,237)	0	(4)	(12,241)
69,469	Non-current assets plus/less net current assets/liabilities		63,303	1,162	1,115	65,580
	Non-current liabilities					
(1,256)	Provisions	SoFP	(1,177)	0	0	(1,177)
0	Trade and other payables		0	0	0	0
(1,256)	Total non-current liabilities		(1,177)	0	0	(1,177)
68,213	Assets less liabilities		62,126	1,162	1,115	64,403
	Taxpayers' Equity					
66,299	General fund	SoFP	61,310	0	0	61,310
851	Revaluation reserve	SoFP	816	0	0	816
171	Other reserves – IJB joint venture	SoFP	0	1,162	0	1,162
892	Funds Held on Trust	SoFP	0	0	1,115	1,115
68,213	Total taxpayers' equity		62,126	1,162	1,115	64,403

25(c). Consolidated Statement of Cash Flows

2019/20		2020/21		
Consolidated £'000		Board £'000	Endowment £'000	Group £'000
	Cash flows from operating activities			
(77,616)	Net operating cost	(80,987)	65	(80,922)
9,831	Adjustments for non-cash transactions	1,625	0	1,625
(379)	Movements in working capital	3,180	0	3,180
(68,164)	Net cash outflow from operating activities	(76,182)	65	(76,117)
	Cash flows from investing activities			
(6,695)	Purchase of property, plant and equipment	(898)	0	(898)
0	Purchase of intangible assets	(20)	0	(20)
(29)	Investment Additions	0	(38)	(38)
(1)	Proceeds of disposal of property, plant and equipment	63	0	63
53	Receipts from sale of investments	0	52	52
(6,672)	Net cash outflow from investing activities	(855)	14	(841)
	Cash flows from financing activities			
74,789	Funding	76,954	0	76,954
(4,796)	Movement in general fund working capital	785	(84)	701
69,993	Cash drawn down	77,739	(84)	77,655
69,993	Net Financing	77,739	(84)	77,655
(4,843)	Net Increase / (decrease) in cash and cash equivalents in the period	702	(5)	697
6,378	Cash and cash equivalents at the beginning of the period	1,405	130	1,535
1,535	Cash and cash equivalents at the end of the period	2,107	125	2,232
	Reconciliation of net cash flow to movement in net debt/cash			
(4,843)	Increase/(decrease) in cash in year	702	(5)	697
6,378	Net debt/cash at 1 April	1,405	130	1,535
1,535	Net debt/cash at 31 March	2,107	125	2,232



Orkney Health Board

DIRECTION BY THE SCOTTISH MINISTERS

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

The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.

Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.

The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated: 10/02/06