ANNUAL REPORT AND ACCOUNTS

For

Year Ended 31 March 2018

NHS ORKNEY ANNUAL REPORT AND ACCOUNTS 2017/18

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PERFORMANCE REPORT - OVERVIEW

Chief Executive Statement

I am pleased to report that NHS Orkney has had another successful year in terms of financial and non financial performance. We continue to manage a number of specific specialties such as dermatology, ophthalmology and orthopaedics but I am able to report successful delivery of targets across the wide range of access targets, accident and emergency waiting times, delayed discharges, cancer diagnosis and in all but the final quarter treatment times.

Although we have once again delivered on our three financial targets we have been challenged in identifying and delivering upon our savings challenge on a recurring basis and we will carry this short term legacy into the new financial year. The Board remains in a positive financial position but faces significant challenge ahead as we commence the commissioning programme for the move to our new Hospital and Healthcare facility, scheduled to open in the Spring of 2019, and the rising costs of health care provision.

We continue to work very closely with all partners including Orkney Islands Council, Orkney Health and Care and Third Sector colleagues, continuing to invest in both revenue and capital across primary care and the community and responding to challenges that island boards face, predominantly with recruitment for both primary and secondary care, however, youth employment in modern apprenticeship schemes has been successful with 16 employed and we now shift our primary focus to retention.

As we prepare for the new Hospital and Healthcare facility in 2019/20 we will continue to identify and deliver upon new ways of working and provide a key building block in our transition journey.

1. NHS Orkney - who we are

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

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

2. Strategy and Corporate Plan

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. The transformational change programme is overseen by the Programme Implementation Board, which is now known as Transforming Implementation Programme Board. The Board is chaired by the Chief Executive. A Strategy Deployment Matrix (SDM – quality improvement method) has been developed to ensure strategic goals/corporate objectives drive progress and actions at all levels within the organisation. Our vision is to:

'Be the best remote and rural care provider in the United Kingdom'

3. Our corporate objectives

Our corporate objectives below drive the annual performance and development appraisal process. I am accountable to the Board through the Chair of the NHS Board. The Chair agrees my (Chief Executive) annual objectives in line with the Board's strategic and corporate plans. Our Corporate Plan (2017/18) was informed by engagement with staff, updated and approved by the Board in April 2017.

Better Health
Improve the Health and Wellbeing of the people of Orkney and reduce health inequalities
Pioneer ways of working to meet local health needs
Better Care
Improve the delivery of safe, effective and person centred care and our services
Nurture a culture of excellence and continuous improvement

Better Value
Value and develop our people
Demonstrate best value using our resources
Demonstrate behaviours that are consistent with our values and operating principles

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

Our Patient and Public Reference Group provides a mechanism for promoting and encouraging involvement of local people and communities in the design and delivery of health services, which has expanded to include those previously involved in our Patient Partnership Forum as well as representatives from local Community Councils. During the year the group has been actively involved in shaping public communication activities.

During 2017/18 achievement of key results as set out in the Local Delivery Plan was managed through our strategy deployment approach with Strategy Deployment Matrices in place for all directorates. This aligns our strategic/corporate objectives with resources and local improvement actions and targets in both clinical and non clinical settings/services.

Notable successes have been our preparations for moving to the new Hospital and Healthcare facility opening in 2019, the development of a new service model for Dermatology, developing a grow your own approach to Ophthalmology provision, embedding learning from clinical incidents through weekly mortality and morbidity meetings and refreshing our approach to the governance of clinical quality and safety.

4. Health and Social Care Integration

Health and social care integration is well established in Orkney. During 2017/18 we worked with the Integrated Joint Board, known as Orkney Health and Care (OHAC), to refresh the Strategic Commissioning Plan. The commissioning plan aims to "help the people of Orkney live longer, healthier and more independent lives within their own homes and communities wherever possible". This plan builds on our successful partnership arrangements developed over time between Orkney Islands Council and NHS Orkney. Further information can be located on the Scottish Government website, and with this OHAC link.

Through integrated joint working we have sustained improved patient flow across Orkney. Delayed discharge levels (as defined as patients delayed over three days for health and social care or for patient and family related reasons) were recorded as zero over the mid-winter, due to improved processes and communication.

5. Population Health

As a Health Promoting Health Service, staff work across Orkney to improve and protect the health of the population. An expanded version of the Keep Well check to the public will be piloted next year, to include a health coaching component. The Healthy Working Lives service, which offers practical information and advice to help improve health and safety and wellbeing of everyone at work, was repatriated to NHS Orkney.

Vaccination programmes have been delivered in line with national expectations and public health took on the running of child health IT systems from primary care, implementing actions to improve data quality. The table below sets out performance on the delivery of key childhood vaccinations. A review of delivery of vaccinations will be taken forward next year as part of the primary care improvement plan.

DTP/polio Hib (five-in –one which protects against; diphtheria, tetanus, pertussis, polio and Haemophilus (Hib)); Pneumococcal Conjugate Vaccine (PCV); MenB vaccine	For the calendar year of 2017, uptake rates by infants of 12 months of age for the five-in-one vaccine, PCV and Men C were 94.6% (Scottish average, 96.6% (5 in 1), 96.8% (PCV) and 96% (MenC)
Hib/MenC and PCV booster vaccines and DTP/polio Hib five-in –one at 24 months	Uptake rates by infants of 24 months of age were good at 94.7% for Hib/MenC (Scottish average 94.8) and 95.7% for PCV (Scottish Average 94.6%) . 5 -in –one uptake rate was 97.1% (Scottish average 97.6% and above the 95% standard)
One dose of MMR vaccine	The uptake rate at five years of age was 94%, slightly below the national target of 95%, although the uptake rate of two doses at 94% was above the Scottish average of 92.2%
Childhood influenza programme for school age children	Continued to be delivered in primary schools with an uptake of 73% (Scottish average also 73%).

Public Health delivered a range of health promotional campaigns such as "It's OK to say I'm not fine" and interventions such as "Let's cook". Collaborative work continued with the community planning partnership on tackling adult and childhood obesity and regular planning meetings with primary care continued, along with other partnership working, for example, welfare reform.

A Service Level Agreement for sexual health services with Nordhaven Clinic continued, with pre-exposure prophylaxis for HIV (PREP) and human papilloma virus (HPV) vaccination introduced.

Work on screening programmes has progressed well, but published data for all programmes is not yet available, however the latest data is available here.

From the latest published data (March 2018), for abdominal aortic aneurysm screening, 100% of eligible men in March 2017 had received an invitation with 86.7% having been tested (essential target >= 70; desired target >=85%). Provisional data for those eligible at March 2018 shows 99.3% of eligible men had received an invitation and 88.2% were tested.

From the latest published data (February 2018), for bowel screening the overall uptake was 61.7% for those invited up to April 2017 against a national performance of 56%. Provisional data for those invited for the calendar year of 2017 was 61% against a national performance of 55%.

Provisional data for quarter 4 of the diabetic retinopathy screening programme showed a screening uptake rate of 88% against a standard of 80%.

The programme on Detect Cancer Early was implemented locally in line with national campaigns for the three primary cancers: lung, bowel and breast.

Business Continuity Planning has progressed with 46 out of 51 plans now in place across NHS Orkney, with a regular review of major emergency plans. NHS Orkney participated in national preparedness events such as Operation Border Reiver, regional events on pandemic flu and local interagency exercises. Lessons are learned from these and local incident debriefs, with feedback being assimilated into the planning process.

6. Clinical Services

Work in the Balfour Hospital continues to ensure compliance with the Older People in Acute Care Standards as an example of the clinical improvement work being undertaken. Regular auditing in regards to Adults with Incapacity has shown an evidenced improvement in the percentage of assessments being undertaken and documented over the period January 2017- January 2018 with 70% compliance in January 2017 (19 out of 27) compared with 96% in January 2018 (26 out of 27). Room for further improvement exists and this will be an area of focus in 2018/19.

Additionally, preparations have been undertaken to ensure compliance with the Duty of Candour legislation coming into force on 1 April 2018. The purpose of the legislation is to support the implementation of consistent responses across health and social care providers when there has been an incident that has resulted in unintended or unexpected harm. Crucially this is a pro-active approach. NHS Orkney has engaged with the legislation and will:

- Comply with the overt direction and intent of the legislation
- Ensure that the principles of the Duty of Candour are fully understood at all levels within the organisation
- Provide a systematic methodology for recording and reporting events within the scope of the legislation
- Have in place robust processes for assimilating and sharing learning across agencies.

The reporting methodology is being supported by; modifications to the Datix system; training via online National Education for Scotland (NES) module and regular engagement activities. Reporting on the progress of Duty of Candour implementation takes place internally to the Quality and Safety Group. The NHSO Board has fully engaged with this legislation and is very supportive of the allied training programme. The training activities will create general awareness of the legislation, the availability of the online teaching module and inclusion of Duty of Candour as part of the Mortality and Morbidity (M&M) review processes. A number of M&M meetings have the Duty of Candour as a discreet learning event.

Excellence in Care (EiC) is about equipping NHS boards, clinical nursing leaders and users of services with tools to measure and improve the impact of care across leadership, provision of direct care, and record-keeping. It takes into account not only hard data, but also the perceptions of patients, nurses and managers. It supports the Board and teams to: assess using well-defined measures how to improve quality; to be reassured when standards are high; and to be able to spot quickly when standards are slipping. Internal assurance of EiC is provided via regular reports to the Quality and Safety Group and the Clinical and Care Governance Committee. Within NHS Orkney there are three areas of work:

- medicine omissions
- community
- professionalism.

These elements of work provide a discreet information baseline within each of the areas against which improvement actions can be measured.

NHS Orkney has the second lowest prescribing cost per patient per month at £16.41 compared to a Scotland average of £17.47. The pharmacy department is the hub for prescribing governance and pharmaceutical care with an integrated cross sector approach to medicines governance and patient safety, with service development plans including:

- a technician led dispensary with accredited checking technicians undertaking the final release of all dispensed items
- ward based pharmacy teams undertaking clinical reviews and medicines reconciliation on admission in line with the Scottish Patient Safety Programme
- assessment and reuse of patients own medication
- appropriate development and librarianship of Patient Group Directions
- pharmaceutical care services for high risk patients in their own home or care facility (initial stages)
- initial input into some GP practices aligned with the new General Medical Services (GMS) contract including prescribing advice, medicines reconciliation on discharge and polypharmacy reviews. This will be extended during 2018/19.
- introduction of a Pharmacy First service within community pharmacies
- regional working to integrate medicine management arrangements across the North of Scotland

7. Workforce

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

As a remote and rural Board, NHS Orkney faces ongoing workforce challenges. However with innovative and agile arrangements, and collaboration with other NHS Boards, we had significant success in developing our workforce in 2017/18.

Medical manpower	NHS Orkney has traditionally had two training places on the non-Consultant rota, for General Practice Speciality Training (GPST) doctors, which we have struggled to fill in the last few years, however, during 2017/18 we have filled both places removing the need to cover these gaps with locums. In addition, two Clinical Development Fellows (CDF) throughout the year have given continuity to the rota, to the patients and to the rest of the workforce. Collectively these senior doctors bring extensive knowledge and skills which they share widely through education sessions with substantive staff. The GPST's and CDF's contribute to and in some cases lead on multi-disciplinary teaching, and provide mentorship to Medical Students, enhancing their experience with NHS Orkney.
National workforce workload tools	This is a mandatory requirement to inform nurse staffing levels and skill mix in both hospital and community settings. These are run on an annual basis, and validate our staffing model.
Youth employment	NHS Orkney has continued, throughout 2017/18, to see an increase in the number of 16 – 24 year olds joining NHS Orkney, with a total of 16 Modern Apprenticeships in place at the end of the financial year. The organisation has focused energy on the retention of those younger members of the workforce offering development opportunities across a variety of staff groups, but predominately in Business and Administration, Health and Social Care and Catering. The Organisational Development and Learning team continue to work with local University of Highlands and Islands and secondary schools to increase work experience opportunities. Two Foundation Apprenticeships with students in Business Skills have been recruited, which offer secondary school students opportunities to experience working environments in addition to continuing their qualifications. NHS Orkney attended a careers fair early in 2018, which saw a number of students sign up to work experience opportunities, which will help inform their career pathways and education choices.
Recruitment and retention	Workforce recruitment challenges continue, with 20% of our workforce aged 55 and above being eligible for retirement. We are succession planning, developing our existing workforce and continuing with our youth employment strategy to ensure a deficit doesn't occur. During 2017/18 we have managed to recruit hard to fill posts in both Isles nursing and medical staff including consultants. A flexible approach in shift patterns has aided the recruitment and retention of internal and external locums to cover long term vacancies and other down time. This has reduced agency staff spend from £2.253m in 2016/17 to £1.570m in 2017/18 by transferring them onto payroll. See note 2.

8. New Hospital and Healthcare Facility

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

Ownership of the property remains with Robertson Capital Projects for 25 years until it transfers to NHS Orkney. The accounting treatment reflects the nature of the contract, which is a Non Profit Distribution (NPD) scheme with a funding variant. As agreed in the business case this asset is on the public sector Balance Sheet as a Fixed Asset (Under Construction until in use). The prepayment of the Annual Service Payment (ASP) is recognised as a long term debtor, and the requirement to pay the ASP over the 25 year period of the contract is recognised as a long term liability. Both of these values will reduce in tandem over the 25 year period. The assessed value at end March 2018 is £38.865m. This value counts against our Capital Resource Limit as agreed with Scottish Government.

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

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

Planning for migration to the new building is progressing to plan as are the Board's plans for the transformational change programme that will see more services being delivered in Orkney when it is safe and appropriate to do so.

PERFORMANCE ANALYSIS

A) Financial Performance

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

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

NHS Orkney achieved each target as shown below.

	Limit as set by SGHD £000	Actual Outturn £000	Surplus £000
Core Revenue Resource Limit	**55,694**	**55,617**	**77**
Non Core Revenue Resource Limit	**2,228**	**2,228**	**0**
Core Capital Resource Limit	**40,342**	**40,342**	**0**
Cash Requirement	**93,019**	**93,019**	**0**

		£000
In year Outturn	Brought forward surplus from previous financial year	89
	Deficit outturn against in year Revenue Resource Limit	(12)
	Surplus against in year total Revenue Resource Limit	**77**

2017/18 saw continuing financial pressures relating to essential cover from locums to maintain staffing levels and provide safe clinical services and slow progress in savings. Engagement with budget holders resulted in 100% of the £1.307m savings target being achieved, however, only 17% was recurring.

Provisions for impairment of receivables

NHS Orkney has included a provision of £92,000 (2016/17; £88,000) to cover doubtful receivables.

Outstanding liabilities

NHS Orkney has £15.674M of current liabilities and £1.282m of non-current liabilities, compared with £6.014m and £1.066m respectively in 2016/17. These consist principally of routine trade payables with the main movement relating to accruals for the new Healthcare facility.

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

Legal obligations

NHS Orkney has an outstanding contractual commitment for the new hospital and healthcare facility for £24.903m, which is due to be operational in 2019. This relates to the prepayment of the ASP for maintenance in the subsequent 25 years before ownership transfers to NHS Orkney.

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

- Clinical & Medical – £5,000 (2016/17: £50,000)
  The basis of the Clinical / Medical provision is based on information provided by Central Legal Office.
- HMRC – £0 (2016/17: £79,000)
  A provision for payment to HMRC of uncollected income tax was made in 2016/17 and was settled in 2017/18.
- Pay as if at work – £500,000 (2016/17: £0)
  A new provision for payment to employees dating back to 2008. This is for annual leave, which should have been paid as if at work and takes into account on-call and enhancement remuneration. This is expected to be resolved in 2018/19.

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Prior year adjustments

There were no prior year adjustments.

Significant changes in fixed assets

The capitalisation of the assessed value of the new hospital and healthcare scheme was actioned in 2017/18. This is in line with the accounting treatment agreed in the Full Business Case whereby this asset will be recorded on the public sector Balance Sheet, as well as being recognised on the Balance Sheet as a prepayment of the ASP.

Pension Liabilities

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

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

An NPD Scheme with a funding variant for a New Hospital and Healthcare Facility has been agreed with the Scottish Government for completion in 2019/20. The Pre Financial Close Key Stage Review was signed off by Scottish Futures Trust on 23 March 2017 and by the Chief Executive on behalf of the Board on 27 March 2017. As at 31 March 2018 the construction was at week 49 of a 100 week programme. The accounting treatment of this scheme is as agreed in the Full Business Case.

Integrated Joint Board (IJB)

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

The IJB is a separate legal organisation and acts as principal in its own right. Accordingly the Health Board is required to reflect the contribution to IJB funding for devolved health services, and the subsequent commissioning income from the IJB for those services delivered by the Health Board, as a distinct and separate transaction from the operational expenditure incurred delivering those services. The consequence of this in the Health Board's accounts, is expenditure of £31.358m (2016/17 £16.840m) and income of £31.358m (2016/17 £16.840m). The expenditure is included in note 3 and income in note 4 and analysed below.

	2017/18		
	Budget £000	Actual £000	Variance £000
IJB	23,997	23,997	0
Set Aside	7,361	7,361	0
Total	**31,358**	**31,358**	**0**

From 2017/18, a set aside notional budget for delegated hospital service functions was calculated on the basis that the use of underlying resources is within the remit of the IJB's commission decision, predominantly within the acute services. The delegated areas will be established in 2018/19 with a view to the IJB influencing expenditure within those areas.

Patient Exemption Checking

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

The table below provides a summary of the number and value of proposed write offs resulting from patient checking in 2017/18. Due to the low numbers involved within Orkney, this can create a higher percentage when compared to Scotland:

		NHS Orkney			Scotland		
	Service	Number of cases	£	%	Number of cases	£	%
Estimated Potential Fraud / Error	Dental	6	485	37.2	3,522	427,940	35.3
	Ophthalmic	4	205	55.0	1,734	199,715	38.3

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	**2017/18**	**2016/17**
Paid by value – in 10 days	90%	58%
In 30 days	97%	89%
Credit taken	20 days	18 days
Paid by volume – in 10 days	51%	53%
In 30 days	87%	89%

B) Performance against Non Financial Targets and Standards

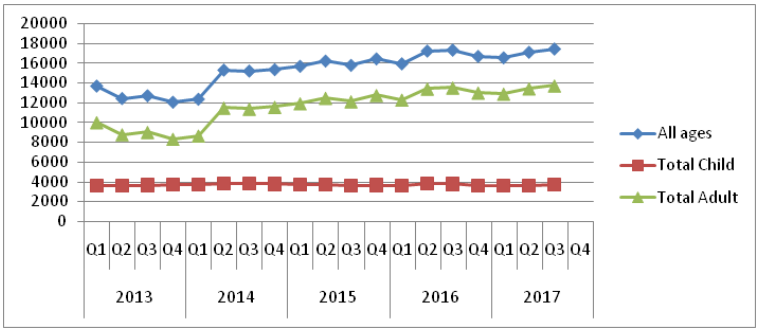
Local Delivery Plan (LDP) standards are priorities set and agreed between Scottish Government and NHS Boards to provide assurance on performance and quality ambitions. NHS Orkney monitors performance monthly and reports on progress to the Finance and Performance Committee and each Board meeting.

Regular performance reports were provided against the standard for smoking cessation and alcohol brief interventions, detailing the work undertaken to improve performance. Despite providing training to support embedding alcohol brief interventions in practice and to improve referral rates to the specialist service, performance levels remained poor. ABI delivery was 58% of target levels. In relation to smoking, Smoking Matters Orkney, has a high quit success rate. Statistics on smoking quit rates are not yet available for the fourth quarter, but for the first three quarters of the year, the rate was only 33% of target levels.

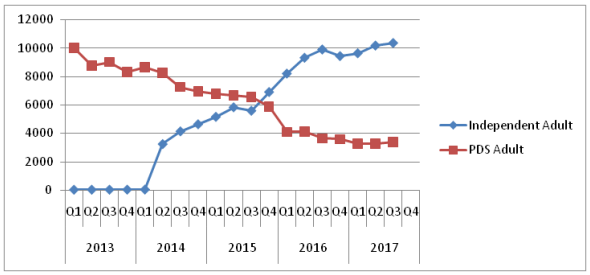
The Scottish Health Survey (2013-2016) showed that 72% of adults in Orkney were overweight or obese compared with the Scottish average of 65%, with the proportion of adults in Orkney who are obese being 34% (Scotland average 28%). Tier 1 work to address obesity was undertaken with the community planning partnership in recognition of the broader environmental and behavioural aspects. The public health department supported the ActiveLife scheme, enabling free access to local leisure facilities for some groups. Twelve primary schools were supported to use a new approach to the delivery of the health and wellbeing curriculum. There is limited Tier 2 treatment level support for weight loss through group weight management programmes with 35 individuals with health conditions commencing support. 41 individuals accessed Tier 3 support with one to one sessions with dietetic staff and five patients enrolled on intensive Tier 4 counterweight plus programme. Going forward, it will be important to work in partnership to implement the upcoming Scottish Government strategy A Healthier Future - Action and Ambitions on Diet, Activity, and Healthy Weight.

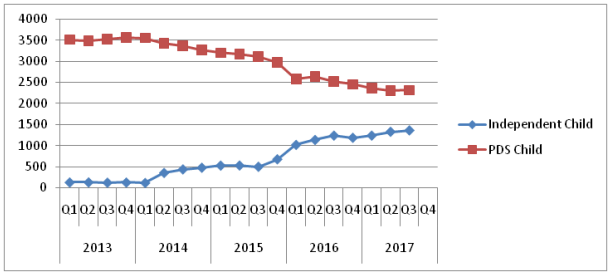
Dental

The NHS dental list has re-opened to patients, due to a practice opening. Registration with an NHS dentist is possible in Stromness and Kirkwall at both independent NHS practices with 17,429 individuals registered with a dentist - a new record for Orkney.



The tables below display positive continued improving registration levels with independent practitioners, which is in line with the stated objective of NHS Orkney and Scottish Government.





The National Dental Inspection Programme results for 2016/17 (as reported every second year) showed Orkney in a very favourable light, with 90.4% of P7 schoolchildren having 'no signs of decay experience'. This represents the highest figure in any Board area in Scotland, and is a tremendous reflection on the hard work carried out by the Childsmile team.

Ante Natal

Bookings by 12 weeks gestation is fully embedded practice and performance consistently exceeds the 80% target, against both age and the Scottish Index of Multiple Deprivation (SIMD) quintile, with SIMD 1 being most deprived and SIMD 5 being the least.

Age summary

Age group	Women booked	Booked at 12 weeks or less	Percentage
16 - 19	1	1	100
20 - 24	28	27	96.43
25 - 29	56	55	98.21
30 or more	120	115	95.83

SIMD summary

SIMD quintile	Women booked	Booked at 12 weeks or less	Percentage
2	22	20	90.91
3	59	58	98.31
4	97	93	95.88
5	25	25	100
Postcode not recorded	1	1	100

SIMD not mapped	1	1	100

We ensure that every mother and baby continues to get the best possible care from Scotland's health service, giving all children the best start in life. The "Best Start" examined choice, quality and safety of maternity and neonatal services, which NHS Orkney is progressing; however it is challenging to comply with home deliveries within our remote and rural environment:

- all women will have continuity of care from a primary midwife, and midwives and obstetric teams will be aligned and co-located with a caseload of women
- placing mother and baby together at the centre of service planning and delivery
- improved and seamless multi-professional working
- local delivery of services, availability of choice and high quality postnatal care.

Access to Services

The table below summarises performance against several of the LDP access standards over the 2017/18 year. Although we have consistently met the four hour A&E target (apart from October 2017) and the elective 18 week referral to treatment standard, performance against the 12 week referral to treatment standard is below target. Waiting times for Orthopaedics, Ophthalmology, and Dermatology are the most challenging, reflecting the national picture.

	Outpatients < 12 wks from referral to first appointment	Inpatient or day case treatment < 12 wks	Elective to commence < 18 wks from referral	A&E – 4 hrs from arrival to admission to discharge	Urgent referrals cancer to treatment < 62 days	Decision to start cancer treatment < 31 days
Standard	100.0%	100.0%	90.0%	95.0%	95%	95%
Apr-17	82.0%	87.8%	97.4%	95.4%	100%	100%
May-17	89.0%	84.5%	98.0%	96.4%	100%	100%
Jun-17	84.7%	88.4%	97.4%	99.0%	100%	100%
Jul-17	88.4%	86.7%	98.9%	95.0%	100%	100%
Aug-17	83.0%	100.0%	99.7%	97.7%	100%	100%
Sep-17	87.2%	100.0%	97.4%	96.6%	100%	100%
Oct-17	85.5%	71.4%	98.2%	92.2%	100%	100%
Nov-17	69.4%	77.8%	95.4%	96.0%	100%	100%
Dec-17	74.8%	87.9%	96.6%	97.0%	100%	100%
Jan-18	74.0%	93.2%	97.8%	98.0%	100%	100%
Feb-18	89.2%	94.7%	92.7%	96.4%	80%	100%
Mar-18	85.6%	100.0%	98.9%	95.9%	100%	100%

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

Innovative initiatives such as using consultants from other health boards to consult and operate in Orkney, part-time consultants shared between boards, and developing Service Level Agreements have increased capacity and enabled improvement in the latter part of the year. However at March 2018, there are around 400 breaches of the 12 week treatment time guarantee:

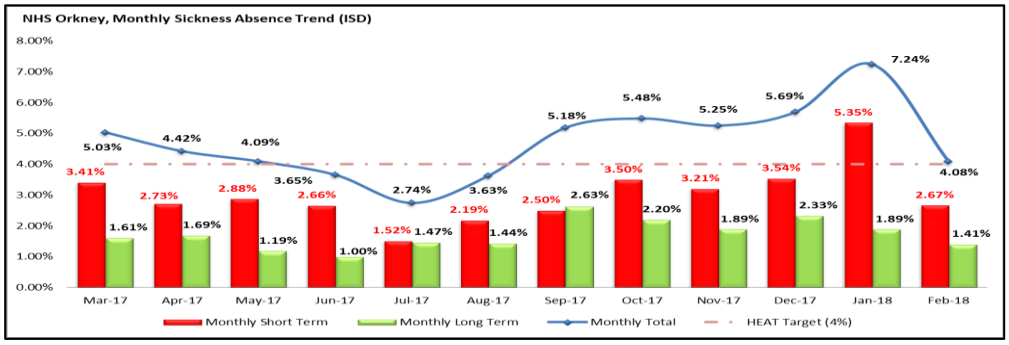
- Outpatient performance is challenging in Orthopaedics (86 patients waiting over 12 weeks at 26/03/18), Ophthalmology (127 patients waiting over 12 weeks at 26/03/18) and Cardiology (66 patients waiting over 12 weeks at 26/03/18). These services are provided by partner Boards on a visiting basis and shortages of capacity in partner Boards has a knock on effect in Orkney. Opportunities for service development are being taken forward locally and regionally to address current issues in 2018/19.
- Performance against the Inpatient/Day Case standard has been variable with breaches occurring largely as a result of pressure in orthopaedics and ophthalmology (as above).
- Access to on island consultant service provided by our staff (surgery, medicine, and gynaecology) is well within LDP standards.
- We continue to perform well against the four hour Accident and Emergency standard, meeting the 95% standard throughout the year and on occasion meeting and exceeding the 98% stretch target.
- Access to Diagnostics the Board has continued to perform well by exceeding the target over the course of the year and achieving waits of less than 6 weeks for one or more of the eight key diagnostic tests for 100% of our patients in both November and December 2017.
- Performance on cancer 62 day and 31 day targets have been good with 100% achievement in all but one month for the 62 day target. Small volumes of patients give rise to considerable variation in monthly performance. Each breach is investigated and lessons learned.
- Regarding Child and Adolescent Mental Health Services and Psychological Therapies performance has decreased and LDP standards have not been met in either area. This is due to a lack of capacity and difficulties in recruiting to vacant positions. During the last published reporting period (December 2017) performance in each area was just over 60% against a standard of 90%. However, performance has been good in relation to access to post diagnostic support for dementia at 100% in the last published reporting period (2016/17).
- Performance in access to Primary Care has been positive with 98.8% of people having access to an appropriate member of the GP team within 48 hours during the last published performance period (2017/18) exceeding the standard of 90%. Additional information can be located here.

Efficiency and Governance

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

Response rate	In 2017 was 73% compared to 66% in 2016
Employee Engagement Index (EEI) score	In 2017 was 75% compared to 76% in 2016
Action planning	In 2017 NHS Orkney have the highest completion rate in NHS Scotland at 97% of agreed action plans in place. The commitment of 100% will continue into 2018.
Team reports	NHS Orkney has seen an increase in the number of teams reporting from 45 in 2016 to 62 in 2017 which is a 21% favourable movement.

Sickness absence continues to be a significant focus, in particular the areas which contribute to the most hours lost. Despite these efforts, during 2017/18, we consistently reported rates between 4.63% and 5.03%, exceeding the standard of 4%. This compares with a NHS Scotland average of approximately 5.38%.



Healthcare Acquired Infection

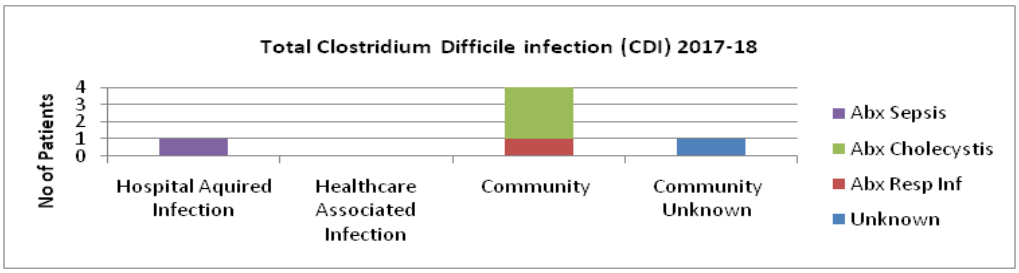
The Board has received ongoing assurance through bi-monthly reports; however, Health Acquired Infections (HAI) standards can be easily breached due to our small numbers.

	Standard	Performance for the year
Clostridium *difficile* (CDI)	Three	Six confirmed cases (one hospital, five community) All cases were neither preventable nor related and patients received the right treatment for their illness.
Staphylococcus *aureus* Bacteraemia (SAB)	Three	Three (two hospital, one community) Every SAB is subject to a rigorous review involving the clinician involved in the patient's care.

The standard is to achieve a reduction of the rate of CDI cases in patients aged 15 and over to 0.32 cases or less per 1,000 total occupied bed days and the rate of SAB cases per 1,000 acute occupied bed days.

In order for quality improvement and interventions to reduce CDIs, we will:

- enhance surveillance and monitoring
- isolate patients admitted with symptoms
- obtain samples as soon as possible and results acted upon
- implement Standard Infection Control precautions (SICPs) and Transmission Based Precautions (TBPs)
- have good antimicrobial stewardship – Infection Management Guideline: Empirical Antibiotic Therapy.
- undertake root cause analysis for every case and discussed as part of lessons learned
- use enhanced cleaning.



One case was identified as Peripheral Vascular Cannula (PVC) related, the first PVC related case in seven years. This case was presented at the Mortality and Morbidity (M&M) meeting for discussion and lessons for ongoing improvement work.

Antimicrobial prescribing has been audited on two occasions through Point Prevalence Studies.

Compliance with cleanliness and estates standards was consistently above 95% during the year.

Further details can be found within item 7.1 of the Board report via this link.

Sustainability and environmental reporting

NHS Orkney has continued with its sustainability programme continuing to invest in efficiency measures across the estate, including oil to kerosene fuel conversion and lighting projects. Emissions have reduced to 561 tonnes of CO2 in 2017/18 compared to 692 tonnes in 2016/17.

Equality and diversity

The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 require that public bodies such as NHS Orkney must produce and publish a range of reports at regular intervals. The reports must detail the progress we have made in the area of each protected characteristic, both in the services we provide, and within NHS Orkney.

The Board conducts impact assessments in relation to our equalities duties, on all policies and strategies by use of a Toolkit developed by the Scottish Executive to conduct impact assessments of our policies and functions. Use of the Equality Impact Assessment (EQIA) Toolkit helps us anticipate the consequences of policies, functions or practices on relevant groups and make sure that, as far as possible, any negative consequences are eliminated or minimised and opportunities for promoting equality are maximised.

As required by legislation NHS Orkney publishes on its website a list of the policies, strategies which have been Equality and Diversity Impact assessed.

Signed Date 25 June 2018

Gerry O'Brien
Chief Executive

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 March 2018.

1. Date of Issue

Financial statements were approved by the Board on 25 June 2018.

2. Naming convention

NHS Orkney is the common name for Orkney Health Board.

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

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

4. Appointment of auditors

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

5. Corporate governance

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

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

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

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

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

Finance and Performance Nine meetings held during 2017/18	Reviews the financial and non financial targets of NHS Orkney, to: • ensure that appropriate arrangements are in place to deliver against organisational performance measures • secure economy, efficiency, and effectiveness in the use of all resources • provide assurance that the arrangements are working effectively • provide cross committee assurance to the Integration Joint Board in relation to performance on delegated function		
Members	**Attendance**	**Role**	**From / To**
Rognvald Johnson	9 of 9	Chair of committee	
Steven Heddle	1 of 1	Vice Chair	up to 31 April 2017
James Stockan	5 of 8	Vice Chair	from 18 May 2017
Cathie Cowan	6 of 6	Chief Executive	up to 31 December 2017
Ian Kinniburgh	6 of 9	NHS Orkney Chair	
Gerry O'Brien	3 of 3	Interim Chief Executive	from 1 January 2018
Hazel Robertson	4 of 9	Director of Finance	
Gillian Skuse	9 of 9	Non Executive Director	

Remuneration Three meetings held during 2017/18	Responsible for • determining and regularly reviewing NHS Orkney's pay policy, in line with national conditions and guidance • agreeing the individual in-year objectives of NHS Orkney's executive directors • approving the annual performance assessment of executive directors.		
Members	**Attendance**	**Role**	**From / To**
Ian Kinniburgh	3 of 3	Chair of committee	
James Stockan	1 of 3	Vice Chair	
Naomi Bremner	3 of 3	Non Executive Director	
Fiona MacKellar	3 of 3	Non Executive Director	

Clinical and Care Governance Four meetings held during 2017/18	Provides assurance that : • robust clinical governance controls and management systems are in place and effective throughout NHS Orkney • robust clinical and care governance controls and management systems are in place and effective for the functions that NHS Orkney and Orkney Islands Council have delegated to the Orkney Health and Care Integration Joint Board.		
Members	Attendance	Role	From / To
Jeremy Richardson	1 of 1	Chair of committee	up to 27 April 2017
Gillian Skuse	3 of 3	Chair of committee	from 28 April 2017
Steven Johnston	1 of 1	Vice Chair	from 28 April 2017
Naomi Bremner	1 of 1	Vice Chair	up to 27 April 2017
Cathie Cowan	1 of 3	Chief Executive	up to 31 December 2017
David Drever	2 of 3	Non Executive Director	from 28 April 2017
Jon Humphreys	2 of 2	Head of Service, Children and Families, Criminal Justice and Chief Social Work Officer	up to 31 August 2017
Scott Hunter	2 of 2	Head of Service, Children and Families, Criminal Justice and Chief Social Work Officer	from 4 September 2017
Rachel King	1 of 3	Integration Joint Board Vice Chair	From 5 May 2017
Ian Kinniburgh	1 of 4	NHS Orkney Chair	
David McArthur	3 of 3	Director of Nursing, Midwifery and Allied Health Professions	from 4 September 2017
Chris Nicolson	3 of 4	Director of Pharmacy	
Gerry O'Brien	1 of 1	Interim Chief Executive	from 1 January 2018
Elaine Peace	1 of 1	Director of Nursing, Midwifery and Allied Health Professions	up to 31 May 2017
John Richards	3 of 3	Integration Joint Board member	from 5 May 2017
Marthinus Roos	4 of 4	Medical Director	
Steve Sankey	1 of 3	Integration Joint Board member	from 5 May 2017
Heather Tait	3 of 4	Public representative	
Louise Wilson	3 of 4	Director of Public Health	

Staff Governance Four meetings held during 2017/18	Advises the Board on: • its responsibility, accountability and performance against the NHS Scotland Staff Governance Standard, addressing the issues of policy, targets, and organisational effectiveness.		
Members	Attendance	Role	From / To
David Drever	4 of 4	Chair of committee	
Fiona MacKellar	4 of 4	Vice Chair	
Cathie Cowan	3 of 3	Chief Executive	up to 31 December 2017
Annie Ingram	3 of 4	Director of Workforce	
Steven Johnston	4 of 4	Non Executive Director	
Julie Nicol	3 of 4	Head of Organisational Development and Learning	
Gerry O'Brien	1 of 1	Interim Chief Executive	from 1 January 2018
James Robertson	1 of 2	Partnership representative	up to August 2017
Kate Smith	2 of 4	Partnership representative	
Karen Spence	0 of 2	Partnership representative	from 1 November 2017
James Stockan	2 of 4	Non Executive Director	from 18 May 2017

Audit Six meetings held during 2017/18	Supports the Board in its responsibilities for: • issues of risk, control and governance and associated assurance through a process of constructive challenge • liaising closely with the Integration Joint Board Audit Committee and sharing information of benefit to the Integration Joint Board.		
Members	**Attendance**	**Role**	**From / To**
Naomi Bremner	6 of 6	Chair of committee	
Rognvald Johnson	1 of 1	Vice Chair	up to 27 April 2017
Jeremy Richardson	2 of 5	Vice Chair	from 28 April 2017
David Drever	1 of 1	Non Executive Director	up to 27 April 2017
Fiona MacKellar	5 of 6	Non Executive Director	
Gillian Skuse	5 of 5	Non Executive Director	from 28 April 2017

6. Board membership

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

Chair and Vice Chair		
Ian Kinniburgh	Chair	
Naomi Bremner	Vice Chair	up to 20 June 2017
Gillian Skuse	Vice Chair	from 21 June 2017
Non Executive Directors		
David Drever	Non Executive Director	
Steven Heddle	Local Authority Representative	up to 31 April 2017
Rognvald Johnson	Non Executive Director	
Steven Johnston	Area Clinical Forum Chair	
Fiona MacKellar	Employee Director	
Jeremy Richardson	Non Executive Director	
James Stockan	Local Authority Representative	from 18 May 2017
Executive Directors		
Cathie Cowan	Chief Executive	up to 31 December 2017
Gerry O'Brien	Interim Chief Executive	from 1 January 2018
David McArthur	Director of Nursing, Midwifery and Allied Health Professions	from 4 September 2017
Elaine Peace	Director of Nursing, Midwifery and Allied Health Professions	up to 31 May 2017
Hazel Robertson	Director of Finance	
Marthinus Roos	Medical Director	
Dr Louise Wilson	Director of Public Health	

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

Attendance at Board meetings

Name	**Role**	**Number of Meetings**	**Number Attended**	**%**
Ian Kinniburgh	Chair	6	5	83
Naomi Bremner	Non Executive Director	6	6	100
David Drever	Non Executive Director	6	6	100
Steven Heddle	Non Executive Director	1	1	100
Rognvald Johnson	Non Executive Director	6	4	66
Steven Johnston	Non Executive Director	6	5	83
Fiona MacKellar	Non Executive Director	6	6	100
Jeremy Richardson	Non Executive Director	6	6	100
Gillian Skuse	Non Executive Director	6	5	83
James Stockan	Non Executive Director	5	3	60
Cathie Cowan	Chief Executive	5	5	100
David McArthur	Director of Nursing, Midwifery and Allied Health Professions	4	2	50
Gerry O'Brien	Interim Chief Executive	1	1	100
Elaine Peace	Director of Nursing, Midwifery and Allied Health Professions	1	1	100
Hazel Robertson	Director of Finance	6	3	50
Marthinus Roos	Medical Director	6	6	100
Louise Wilson	Director of Public Health	6	5	83

7. Board members' and senior managers' interests

Details of any interests of board members, senior managers and other senior staff in contracts or potential contractors with NHS Orkney as required by IAS 24 are disclosed in note 25.

Board Member	Declared Interest
Naomi Bremner	Integration Joint Board – substitute member Self-employed – Eyland Skyn (Management Consultancy) Trustee of Orkney Health Board Endowment Funds
Cathie Cowan	Chair – North of Scotland Planning Group Trustee of Orkney Health Board Endowment Funds
David Drever	Integration Joint Board – voting member Chairperson – Heilendi Practice Patient Focus Group Trustee of Orkney Health Board Endowment Fund
Stephen Heddle	Member of Orkney Islands Council Director – Steven Heddle Consultancy, ICT, Scientific Consultancy Trustee of Orkney Health Board Endowment Funds
Rognvald Johnson	Integration Joint Board – voting member Trustee of Orkney Health Board Endowment Funds
Steven Johnston	Trustee of Orkney Health Board Endowment Funds
Ian Kinniburgh	Integration Joint Board – substitute member Chairman, National Evaluation Committee Member of National Performance Management Committee Member of Shetland Partnership Member, Orkney Partnership Board Member, SNP Chairman of NHS Shetland Trustee of NHS Shetland Endowment Funds Trustee and Chairman of Orkney Health Board Endowment Funds
David McArthur	Trustee of Orkney Health Board Endowment Funds Member of Reserve Forces Army Medical Services Reserve Member of Reserve Forces Group A engagement
Fiona MacKellar	Trustee of Orkney Health Board Endowment Funds
Gerry O'Brien	Trustee of Orkney Health Board Endowment Funds
Jeremy Richardson	Chair of Age Scotland Orkney Chair of Relationships Scotland and active director Chair of Integration Joint Board Trustee of Orkney Health Board Endowment Funds
Hazel Robertson	Trustee of Orkney Health Board Endowment Funds
Marthinus Roos	Trustee of Orkney Health Board Endowment Funds
Gillian Skuse	Managing Director – Age Scotland Orkney Integration Joint Board – voting member Trustee of Orkney Health Board Endowment Funds
James Stockan	Leader of Orkney Islands Council Trustee of Orkney Health Board Endowment Funds
Dr Louise Wilson	Member of Special Advisory Group on Infections, British Thoracic Society Quality lead Scotland, Faculty of Medical Leadership and Management Member of Charitable Purposes Committee of a national Arthritis charity Trustee of Orkney Health Board Endowment Funds

8. Directors' third party indemnity provisions

There are no third party indemnity provisions.

9. Remuneration for non audit work

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

10. Value of land

There is no significant difference between the market value and the balance sheet value of land at 31 March 2018.

11. Public Services Reform (Scotland) Act 2010

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

12. Disclosure of information to auditors

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

THE STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

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

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

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

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

THE STATEMENT OF ACCOUNTABLE OFFICERS' 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 NHS Orkney's disposal
- safeguarding the assets of NHS Orkney.

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

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

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

I am responsible for ensuring proper records are maintained and that the accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officer's letter to me of 16 November 2017.

GOVERNANCE STATEMENT

Scope of Responsibility

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control which supports compliance with the organisation's policies and promotes achievement of the organisation's aims and objectives, including those set by Scottish Ministers. I am also mindful of ensuring that the best interests of patients are central to all that we do.

Purpose of Internal Control

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

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

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

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

The system of internal control is an ongoing process designed to identify, prioritise and manage the principal risks facing NHS Orkney. The system aims to evaluate the nature and extent of risks and manage risks efficiently, effectively and economically. The system is designed to manage rather than eliminate the risk of failure to achieve NHS Orkney's strategic directions, aims and objectives. As such, it can only provide reasonable and not absolute assurance.

Governance Framework

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

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

Each assurance committee reviews their terms of reference annually and any amended Terms of Reference are subsequently submitted to the Audit Committee for approval as an amendment to the Standing Orders. Standing Financial Instructions are approved by the Board.

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

The Audit Committee has overall responsibility to scrutinise the effectiveness of risk management processes and arrangements and provides assurance to the Board.

Responsibilities of Members of the Board

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

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

The NHS Board has arrangements which provide an integrated approach to governance across clinical areas, staff arrangements, involving and engaging people in our service, developments and performance management. The conduct and proceedings of the NHS Board are set out in the Code of Corporate Governance; this document specifies the matters which are

reserved for the NHS Board, the matters which are delegated under the Scheme of Delegation and the matters which are remitted to a Committee of the NHS Board.

The Code of Corporate Governance includes the Code of Conduct that board members must comply with, along with the Standing Financial Instructions. These documents were last reviewed in December 2016 and a full review shall be completed by July 2018. At that time, the SFIs were subject to a fundamental review with changes being made to reflect new procurement regulations, and the results of a benchmarking exercise with other NHS Board SFIs. The Endowment Fund charter was also subject to substantive review in 2016. The Standing Orders are made in accordance with The Health Boards (Membership and Procedure) (Scotland) Regulations 2001.

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

All NHS Board executive directors review their development needs as part of the annual performance management and development process. This process is directed by the corporate objectives detailed within the Corporate Plan.

Whilst pay arrangements for NHS staff are determined under national arrangements, the pay arrangements for the Board's senior managers whose posts are part of the Executive Management cohorts are subject to Scottish Government guidance, determined by the Remuneration Committee.

Risk Management

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

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

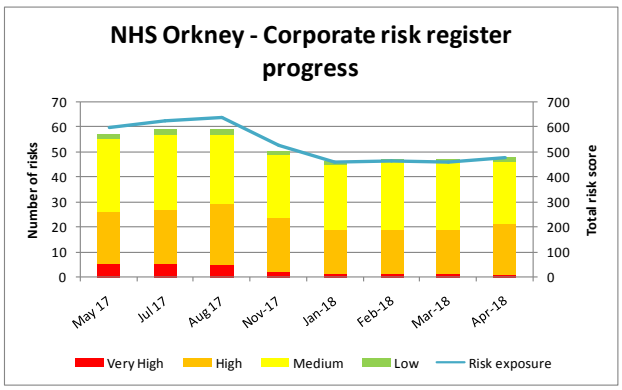
Weekly Datix review meetings and the weekly M&M meetings are a core supporting element of our risk management arrangements. The M&M meetings are where the multi-disciplinary clinical community can discuss matters of clinical relevance. The aim is to promote a broad dialogue on clinical matters where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

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

As Chief Executive I ensure there is suitable review and management of corporate risks and that all significant risk management concerns are prioritised, considered and communicated to our Governance Committees and the Board on a regular basis. As Chief Executive I have overall accountability for ensuring that an effective risk management system is in place. We have a suite of risk registers which consists of a corporate risk register and three operational risk registers. The format of each of the risk registers is clear and understandable and includes key information as risk reference, risk owner and initial, current and target risk scores. Key mitigating actions for each risk within the Datix System. The conclusion from the review is that there are strong controls in place and a strong governance structure to manage and monitor risks.

The Corporate Risk Register is regularly reviewed, led by the Executive Lead for Risk in collaboration with the Senior Management Team and Risk Review Group. Diagram 1 is an extract from our Risk Management Report to the Board. It describes our risk environment: number of risks, risk exposure and total risk score for the period 2017/18.

Diagram 1



Quality and Safety

New clinical pathways have been developed and implemented including; diabetic foot pathway, adult autism and hip fracture pathway. New treatment consent documentation has been developed, and implementation is nearing completion.

Despite the national shortage of medical staff, NHS Orkney has maintained a safe medical staffing model. This depends on a small number of substantial post-holders, augmented with a pool of known and trusted locums to fill the vacant posts. Although very expensive, this model has proved to be flexible and resilient reducing the associated risk.

Changes in midwifery regulation have been introduced in response to the Morecambe Bay Inquiry – these changes separate midwifery supervision from regulation. This brings midwives in line with other professions and means that governance of midwifery practice rests exclusively with employers from 1 April 2017. NHS Orkney is compliant with the requirement for trained supervisors. Regular reports are submitted to the Quality and Safety Group and the Clinical and Care Governance Committee regarding the supervision activities being undertaken and their impact.

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

The new CHP came into effect on 1 April 2017, and is a two stage process which requires Boards to address complaints as Early Resolution or Investigation stage complaints. In 2017/18 NHS Orkney recorded 67 Early Resolution complaints and 35 Investigation stage complaints. Two Investigation stage complaints were withdrawn. This compares to 49 complaints in 2016/17, none of which were withdrawn. 83.5% Early Resolution complaints were responded to within the five day deadline. 80.0% Investigation stage complaints were responded to within the 20 day deadline. 2016/17's response rate was 73.5%.

Two complaints were referred to the Scottish Public Services Ombudsman (SPSO). The findings of both complaints have been laid before Parliament and published. The action taken by NHS Orkney in relation to these two cases is documented below. Handling of both complaints is being reviewed.

Nature of complaint	The findings	What we have done
Spinal injury	1. Apologise for failing to provide appropriate treatment 2. Provide a reasonable standard of trauma care, with adequate staff training 3. Complaints handling system should ensure that failings are identified and enable learning 4. All treatment should be appropriately documented in medical records	Apology provided Establishing trauma processes and protocols, supported by extensive training plan Trauma paperwork revised and improved, with the support of the North of Scotland trauma team Trauma call out revised, implemented and being reviewed
Heel injury	5. Apologise for failing to take appropriate action 6. The Board failed to take appropriate podiatry action in relation to patient's heel wound. 7. In similar cases, surgeons should be aware of what action to take 8. The Board's own complaints investigation did not identify or address the failings in care provided to patient.	Apology provided Improved links with NHS Grampian podiatry service established New footcare pathway being implemented with the support of NHS Grampian Central point of contact implemented

Access to services

In 2017/18, Internal Audit undertook an audit into waiting list management against national guidance and best practice. There were two control objectives. Two improvements to controls were identified, none of which meant that control objectives were not met. The report concluded that NHS Orkney procedures reflect good practice with some areas for improvement. There is a strong governance structure to manage and monitor our compliance with waiting times targets and standards.

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

Enabling Technology

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

An internal audit review was commissioned on the Digital Medical Records (DMR) earlier than planned by management following clinical concerns about availability of the records, and controlled project methodology. The recommendations, as shown below, have all been implemented with the Transforming Programme Implementation Board providing governance and project assurance process. This assurance work was completed in March 2018 and reported to the April Board.

Source	The findings	What we have done
DMR audit report	1. Formal project management methodology should be implemented 2. Robust project and where appropriate programme governance should be implemented 3. Risk and issues logs should be updated and subject to regular review and update 4. Appropriate key performance indicators and quality processes should be	All actions have been completed for DMR.

	agreed and implemented 5. Business continuity should be a feature of projects 6. All projects design and implement formal testing plans 7. Baselined project plans should be developed for projects undertaken by the board 8. For the DMR and all other projects, training needs are identified, implemented and formally recorded. 9. Communication plans are developed for projects.	

We have developed a project management approach and during 2018 will provide further guidance on the application of this methodology, to establish when full programme/project management is required, when a project light approach can be adopted, and when no formal project management is required.

Information Governance

During 2017/18 there has been a renewed focus on information governance, to ensure NHS Orkney is prepared for the General Data Protection Regulations coming into force in May 2018. This has involved the development of organisation wide information asset registers, risk assessments, and a review of information governance strategy and policies. A new Strategy, renewed IT Security and Information Governance policies, and a new Data Protection Policy have been approved by May 2018.

In June 2017 NHS Orkney reported an incident involving the accidental destruction of 373 clinical records to the Information Commissioner's Office. These records incorporate Orkney Islands Council records, and we immediately notified the Council's data controller so that they could make their own notification. We have responded rapidly and positively to the internal investigation and the recommendations made by the Information Commissioner's Office (ICO). The ICO recognised the rapid and robust approach taken by NHS Orkney to respond to this incident and closed the case with no further action.

Source	The findings	What we have done
Significant Adverse Event review	1. Introduce a scanning system to track stock movements and handover to Scanning contractor.	Complete
	2. Write standard operating procedures for all processes within the DMR project.	Complete
	3. Place visual workplace organisation standards in the Portacabin with an associated check list which will be audited daily.	Complete
	4. Standardise the way in which porters receive their work instructions.	Complete
	5. "Batching" of shredding should be avoided within all areas.	Complete
	6. Procedure for the Retention, Storage and Disposal of Records should be reviewed, updated and fully implemented with audit processes in place to identify any future issues with compliance.	Audit process to be implemented by December 2018
ICO report	7. Take steps to ensure that documents identified for scanning are appropriately distinguished from those identified for shredding	Complete
	8. Ensure that instructions regarding the destruction of records are appropriately communicated to staff	Complete
	9. Take steps to ensure that all staff are up-to-date with Information Governance Training and also ensure that non completion of such training is followed up	Engagement activity is addressing this. Completion rate at March 2018 is 65%

Responses to Freedom of Information requests are authorised by two Executive Directors to improve overall response times and provide adequate scrutiny. During 2017/18 591 requests were received of which 96% were answered within the 20 day deadline compared with 582 requests in 2016/17 of which 96% were answered within the 20 day deadline. Quarterly reporting of statistics was provided to the Scottish Information Commissioner.

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. The data is required to be published on a website maintained by or on behalf of the employer before 31st July each year. We intend to publish this data at the following link.

Orkney Health Board Endowment Funds

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

Assurance on governance matters relating to Endowment Funds is obtained via an Annual Assurance Statement from the Chair of the Endowment Funds Sub Committee. The Endowment Funds Accounts are subject to their own audit process. The Endowment Funds audit scope was amended for 2017/18 to detail the steps taken by the auditor to be able to provide reasonable assurance that no material misstatements have arisen in the financial statements in connection with retrospective agreement to bids, and that funds have been used in accordance with the charitable purposes. This has been completed and no issues have been highlighted.

Review of Adequacy and Effectiveness

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

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

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

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

The Audit Committee, which meets with both internal and external auditors in attendance has considered 13 internal audit reports in 2017/18 as part of a three year rolling programme. The overall opinion from our Internal Auditors is that NHS Orkney has a framework of controls in place to achieve our objectives and manage key risks whilst promoting value for money and delivering best value.

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

Disclosures

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

ACCOUNTABILITY REPORT – REMUNERATION AND STAFF REPORT

A) REMUNERATION REPORT

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION

Membership of the Remuneration Committee comprises:

Ian Kinniburgh	(Chair)
James Stockan	(Vice Chair)
Naomi Bremner	
Fiona MacKellar	

The Remuneration Committee is responsible for determining and regularly reviewing NHS Orkney's pay policy, in line with national conditions and guidance. The committee also agrees the individual in-year objectives of the NHS Orkney's executive directors. The committee is required to approve the annual performance assessment of executive directors in June each year. There were three meetings held during 2017/18.

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.

Performance Appraisal

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

Payments to Past Senior Managers

There were no payments to past senior managers during 2017/18.

Voluntary Severance

There were no voluntary severances.

Directors' and senior managers' remuneration

The following tables provide a breakdown of executive and non-executive directors' remuneration in 2017/18 and 2016/17 along with median pay information, and have been audited by NHS Orkney's auditors.

REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2018

	Gross Salary (Bands of £5,000)	Benefits in Kind **£'000**	Total Earnings in Year (Bands of £5,000)	Pension Benefits **£'000**	Total Remuneration (Bands of £5,000)
Remuneration of:					
Executive Members					
Chief Executive: C Cowan (1)	80-85	0	80-85	0	80-85
Chief Executive: Gerry O'Brien (2)	25-30	1	25-30	0	25-30
Director of Nursing, Midwifery and AHP: E Peace (3)	10-15	0	10-15	0	10-15
Director of Nursing, Midwifery and AHP: D McArthur (4)	40-45	0	40-45	15	55-60
Director of Finance: H Robertson	80-85	0	80-85	24	105-110
Medical Director: M Roos (5)	190-195	0	190-195	0	190-195
Director of Public Health: Dr L Wilson	120-125	0	120-125	0	120-125
Non Executive Members					
The Chair: I Kinniburgh	20-25	0	20-25	0	20-25
N Bremner	5-10	0	5-10	0	5-10
D Drever	5-10	0	5-10	0	5-10
S Heddle (6)	0-5	0	0-5	0	0-5
R Johnson	5-10	0	5-10	0	5-10
J Richardson	5-10	0	5-10	0	5-10
G Skuse	5-10	0	5-10	0	5-10
J Stockan (7)	5-10	0	5-10	0	5-10
S Johnston (8)	85-90	0	85-90	23	105-110
F MacKellar (9)	45-50	0	45-50	8	50-55

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

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

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

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

Note 5: M Roos, Medical Director, is remunerated for his substantive role as Medical Director as well as receiving remuneration in relation to his secondary role as a Consultant Orthopaedic Surgeon. Discretionary point arrears paid for previous financial years. Salary for his role as a Medical Director is in the range of £155,000 - £160,000.

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

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

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

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

FOR THE YEAR ENDED 31 MARCH 2017

	Gross Salary (Bands of £5,000)	Benefits in Kind **£'000**	Total Earnings in Year (Bands of £5,000)	Pension Benefits **£'000**	Total Remuneration (Bands of £5,000)
Remuneration of:					
Executive Members					
Chief Executive: C Cowan	105-110	0	105-110	11	115-120
Director of Nursing, Midwifery and AHP: E Peace	75-80	0	75-80	14	90-95
Director of Finance: H Robertson	80-85	0	80-85	27	105-110
Medical Director: M Roos (1)	215-220	0	215-220	60	275-280
Director of Public Health: Dr L Wilson (2)	130-135	0	130-135	20	150-155
Non Executive Members					
The Chair: I Kinniburgh	20-25	0	20-25	0	20-25
N Bremner	5-10	0	5-10	0	5-10
D Drever	5-10	0	5-10	0	5-10
S Heddle	5-10	0	5-10	0	5-10
R Johnson	5-10	0	5-10	0	5-10
J Richardson	5-10	0	5-10	0	5-10
G Skuse	5-10	0	5-10	0	5-10
A Trevett (3)	5-10	0	5-10	0	5-10
S Johnston (4)	20-25	0	20-25	42	60-65
F MacKellar (5)	45-50	0	45-50	44	85-90
Other Senior Employees					
Head of HR: J Nicol (6)	20-25	0	20-25	5	25-30

Note 1: M Roos, Medical Director, is remunerated for his substantive role as Medical Director as well as receiving remuneration in relation to his secondary role as a Consultant Orthopaedic Surgeon. Discretionary point arrears paid for previous financial years. Salary for his role as a Medical Director is in the range of £145,000 - £150,000. Restated due to recalculation of pension benefits in 2017/18

Note 2: L Wilson paid discretionary point arrears for previous years. Gross Salary for 2016/17 would represent an annual range of £120,000 - £125,000. Restated due to recalculation of pension benefits in 2017/18

Note 3: A Trevett resigned as Non Executive Member with effect from 31/12/2016. Gross salary would represent an annual range of £5,000 - £10,000.

Note 4: S Johnston commenced as Non Executive director on 01/01/2017. The remuneration disclosed comprises remuneration for his role as 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 5: F MacKellar commenced as Employee Director on the 1st April 2016. 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.

Note 6: J Nicol is no longer Head of HR with effect from 01/08/2016 when HR services transferred to NHS Grampian. Gross salary would represent an annual range of £60,000 - £65,000

PENSION TABLE

FOR THE YEAR ENDED 31 MARCH 2018

	Total accrued pension at pensionable age at 31 March (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Accrued Lump Sum as at age 65 at 31 March 2018 (Bands of £5,000)	Real Increase in Lump Sum at age 65 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2018 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2017 £'000	Real increase in CETV in year £'000
Chief Executive: C Cowan	45-50	0-2.5	135-140	0-2.5	978	941	26
Director of Nursing, AHPs & Midwifery : E Peace	25-30	(0-2.5)	75-80	(0-2.5)	576	576	-2
Director of Nursing, AHPs & Midwifery : D McArthur	5-10	0-2.5	10-15	(0-2.5)	112	94	18
Director of Finance: H Robertson	25-30	0-2.5	65-70	0-2.5	461	427	34
Medical Director: M Roos	40-45	0-2.5	125-130	0-2.5	951	965	-36
Director of Public Health: Dr L Wilson	45-50	0-2.5	135-140	2.5-5	974	923	22
Non Executive Director: S Johnston	10-15	0-2.5	0	0	105	88	17
Non Executive Director: F MacKeller	5-10	0-2.5	20-25	(0-2.5)	149	138	10
						Total	**89**

FOR THE YEAR ENDED 31 MARCH 2017

	Total accrued pension at pensionable age at 31 March (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Accrued Lump Sum as at age 65 at 31 March 2017 (Bands of £5,000)	Real Increase in Lump Sum at age 65 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2017 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2016 £'000	Real increase in CETV in year £'000
Chief Executive: C Cowan	40-45	0-2.5	130-135	2.5-5	914	867	32
Director of Nursing, AHPs & Midwifery : E Peace	25-30	0-2.5	75-80	2.5-5	554	518	26
Director of Finance: H Robertson	20-25	0-2.5	60-65	0-2.5	405	370	35
Medical Director: M Roos (2)	40-45	2.5-5	120-125	10-12.5	956	890	43
Director of Public Health: Dr L Wilson (3)	40-45	2.5-5	130-135	5-7.5	917	850	38
Non Executive Director: S Johnston (from 1 January 2017) (1)	10-15	0-2.5	0	0	84	64	20
Non Executive Director: F MacKeller	10-15	0-2.5	25-30	2.5-5	176	138	38
Head of HR: J Nicol (to 31 July 2017)	10-15	0-2.5	30-35	0	220	210	10
						Total	**242**

Note 1: S Johnston commenced as Non Executive director on 01/01/2017. The remuneration disclosed comprises remuneration for his role as Employee Director 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 2: M Roos has been restated in 2016/17 as a result of recalculations on his pension from Discretionary point arrears awarded within 2016/17.

Note 3: L Wilson has been restated in 2016/17 as a result of recalculations on her pension from Discretionary point arrears awarded within 2016/17.

Additional Disclosure Required

2017/18		**2016/17**	
Range of staff remuneration	1-196	Range of staff remuneration	2-219
Highest Earning Director's Total Remuneration (£000s)	190-195	Highest Earning Director's Total Remuneration (£000s)	215-220
Median Total Remuneration	£25,913	Median Total Remuneration	£25,083
Ratio	7.57	Ratio	8.75
Commentary The values above are based on salaries for full time equivalent pay. The ratio has decreased due to the Medical Director earning more in the previous year due to his discretionary points increasing both his salary and the ratio in 2016/17.			

B) STAFF REPORT

1) Higher Paid Employees Remuneration

2016/17 Number		2017/18 Number
	Clinicians	
5	£70,001 to £80,000	4
3	£80,001 to £90,000	3
1	£90,001 to £100,000	1
0	£100,001 to £110,000	3
1	£110,001 to £120,000	1
2	£120,001 to £130,000	2
2	£130,001 to £140,000	3
1	£140,001 to £150,000	2
1	£150,001 to £160,000	2
0	£160,001 to £170,000	0
1	£170,001 to £180,000	0
1	£180,001 to £190,000	0
0	£190,001 to £200,000	2
2	£200,000 and above	1

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

2) Staff Costs and Numbers

Staff Costs

2016/17		2017/18						
Total	**STAFF COSTS**	**Executive Board Members**	**Non Executive Members**	**Permanent Staff**	**Inward Secondees**	**Other Staff**	**Outward Secondees**	**Total**
£'000		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
19,443	Salaries and wages	575	201	20,563	0	0	0	21,339
1,953	Taxation and Social security costs	76	17	2,055	0	0	0	2,148
2,515	NHS scheme employers' costs	69	18	2,593	0	0	0	2.680
176	Inward Secondees	0	0	0	288	0	(40)	248
2,253	Agency staff	0	0	0	0	1,570	0	1,570
26,340		720	236	25,211	288	1,570	(40)	27,985
0	Compensation for loss of office or early retirement	0	0	0	0	0	0	0
26,340	**TOTAL**	**720**	**236**	**25,211**	**288**	**1,570**	**(40)**	**27,985**

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure for 2017/18 of £570,000 (2016/17 £497,000).

The Interim Chief Executive Officer is included as a secondee above, however, due to being a board member, is also included in the remuneration report.

Staff Numbers

551	**Whole Time Equivalent (WTE)**	**5**	**11**	**533**	**4**	**9**	**(1)**	**561**

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

3) Staff composition

	As at 31 March 2017			As at 31 March 2018		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Executive Directors	1	4	5	3	2	5
Non-Executive Directors and Employee Director	6	3	9	6	3	9
Senior Employees	19	8	27	17	10	27
Other	97	502	599	94	490	584
Total Head Count	**123**	**517**	**640**	**120**	**505**	**625**

The prior year has been adjusted for consistency around changes to Senior Employees remuneration limit from £50,000 to £70,000.

4) Sickness absence data

	2016/17	**2017/18**
Sickness absence data	5%	4.94%

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

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

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

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

Our work in each of these areas is designed to:

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

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

6) Exit packages

There were no compulsory redundancies in 2017/18 or 2016/17 or exit packages provided in 2017/18.

2016/17

Exit package cost band	**Number of other departures agreed**	**Cost of exit packages**
£25,000- £50,000	1	30
Total exit packages	**1**	**30**

C) PARLIAMENTARY ACCOUNTABILITY REPORT

LOSSES AND SPECIAL PAYMENTS

On occasion the Board may be required to write off balances which are no longer recoverable. Losses and special payments over £250k require formal approval to regularise such transactions and their notation in the annual accounts.

The write-off of the following losses and special payments includes a £58,258 payment to HMRC of uncollected Benefit in Kind income tax liabilities between 2013/14 and 2016/17 which was settled in 2017/18. Processors are in place to ensure that it is all collected and was approved by the board on 30 August 2016:

	No. of cases	***£0***
Claims Abandoned	2	1.0
Stores Losses : deterioration	11	2.6
Other	4	61.5
Total	**17**	**65.1**

There were no amounts greater than £250k that were written off in 2017/18 or 2016/17

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

FEES AND CHARGES

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

Signed Date 25 June 2018

Gerry O'Brien
Chief Executive

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

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 approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Orkney Health Board and its group for the year ended 31 March 2018 under the National Health Service (Scotland) Act 1978.
The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Statement of Consolidated Cash Flows, the Statement of Consolidated Changes in Taxpayers' Equity and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2017/18 Government Financial Reporting Manual (the 2017/18 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 2018 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 2017/18 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). 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 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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 the financial statements

My objectives are to achieve 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.

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

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

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

25 June 2018

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2018

Re-stated 2016/17 £'000		Notes	2017/18 £'000
	Total income and expenditure		
26,495	Staff costs	3	28,025
	Other operating expenditure:		
4,781	Independent Primary Care Services	3	5,087
6,859	Drugs and medical supplies	3	7,130
36,578	Other health care expenditure	3	52,255
74,713	**Gross Expenditure for the year**		**92,497**
(18,577)	Less: Other Operating Income	4	(33,095)
56,136	**Net expenditure for the year**		**59,402**

OTHER COMPREHENSIVE NET EXPENDITURE

2016/17 £'000			2017/18 £'000
(58)	Net (gain)/loss on revaluation of Property Plant and Equipment	2	493
(138)	Net (gain)/loss on revaluation of Available for Sale Financial Assets		18
(196)	Other Comprehensive Expenditure		511
55,940	**Comprehensive net expenditure**		**59,913**

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

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The presentation of the Consolidated Statement of Comprehensive Net Expenditure has been changed following a review of our financial statements in order to provide information which better reflects the activities of NHS Orkney. The comparative information in respect of 2016-17 has been presented above in the new format.

Full details of changes to the presentation of the Statement of Comprehensive Net Expenditure are disclosed in Note 20.

SUMMARY OF RESOURCE OUTTURN
FOR THE YEAR ENDED 31 MARCH 2018

SUMMARY OF CORE REVENUE RESOURCE OUTTURN	Notes	2017/18 £'000
Net Operating Costs	SOCNE	59,402
Total Non Core Expenditure (see below)	SOCNE	(2,228)
FHS Non Discretionary Allocation		(1,545)
Donated Assets Income		0
Endowment Net Income		(12)
Total Core Expenditure		**55,617**
Core Revenue Resource Limit		55,694
Saving/(excess) against Core Revenue Resource Limit		**77**

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN		
Depreciation/Amortisation		1,228
Annually Managed Expenditure - impairments	7	491
Annually Managed Expenditure - Provisions		499
Annually Managed Expenditure - Depreciation of Donated Assets	2	10
Total Non Core Expenditure		**2,228**
Non Core Revenue Resource Limit		2,228
Saving/(excess) against Non Core Revenue Resource Limit		**0**

SUMMARY RESOURCE OUTTURN	Resource £'000	Expenditure £'000	Saving/(Excess) £'000
Core	55,694	55,617	77
Non Core	2,228	2,228	0
Total	**57,922**	**57,845**	**77**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

31 March 2017				31 March 2018	
Consolidated £'000	Board £'000		Notes	Consolidated £'000	Board £'000
		Non-Current Assets:			
12,490	12,490	Property, plant and equipment	7c	51,279	51,279
192	192	Intangible assets	6a	217	217
		Financial assets:			
1,012	0	Available for sale financial assets	10	1,007	0
10	10	Trade and other receivables	9	38,874	38,874
13,704	**12,692**	**Total non-current assets**		**91,377**	**90,370**
		Current Assets:			
544	544	Inventories	8	466	466
		Financial assets:			
1,626	1,625	Trade and other receivables	9	1,355	1,347
513	373	Cash and cash equivalents	11	3,120	3,009
0	0	Assets classified as held for sale	7b	41	41
2,683	**2,542**	**Total current assets**		**4,982**	**4,863**
16,387	**15,234**	**Total assets**		**93,359**	**95,233**
		Current liabilities			
(381)	(381)	Provisions	13a	(641)	(641)
		Financial liabilities:			
(5,635)	(5,633)	Trade and other payables	12	(15,038)	(15,033)
(6,016)	**(6,014)**	**Total current liabilities**		**(15,679)**	**(15,674)**
10,371	**9,220**	**Non-current assets plus/less net current assets/liabilities**		**80,680**	**79,599**
		Non-current liabilities			
(1,066)	(1,066)	Provisions	13a	(1,282)	(1,282)
0	0	Trade and other payables	12	(38,865)	(38,865)
(1,150)	**(1,066)**	**Total non-current liabilities**		**(40,147)**	**(40,147)**
9,305	**8,154**	**Assets less liabilities**		**40,533**	**39,412**
		Taxpayers' Equity			
7,532	7,532	General fund	SOCTE	38,579	38,579
622	622	Revaluation reserve	SOCTE	833	833
1,151	0	Funds held on Trust	SOCTE	1,121	0
9,305	**8,154**	**Total taxpayers' equity**		**40,533**	**39,412**

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

Adopted by the board on 25 June 2018

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

Date 25 June 2018

STATEMENT OF CONSOLIDATED CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2018

2016/17 £'000		Notes	2017/18 £'000	2017/18 £'000
	Cash flows from operating activities			
(56,136)	Net expenditure	SOCTE	(59,402)	
1,349	Adjustments for non-cash transactions	2a	1,729	
1,327	Movements in working capital	2c	(1,267)	
(53,460)	**Net cash outflow from operating activities**			**(58,940)**
	Cash flows from investing activities			
(3,629)	Purchase of property, plant and equipment		(31,428)	
(137)	Purchase of intangible assets		(53)	
(24)	Investment Additions	10	(122)	
0	Transfer of assets from other NHS Scotland bodies		21	
0	Proceeds of disposal of property, plant and equipment		0	
44	Receipts from sale of investments		110	
(3,746)	**Net cash outflow from investing activities**			**(31,472)**
	Cash flows from financing activities			
57,245	Funding	SOCTE	90,383	
49	Movement in general fund working capital	SOCTE	2,636	
57,294	Cash drawn down		93,019	
57,294	**Net Financing**			**93,019**
88	**Net Increase in cash and cash equivalents in the period**			2,607
425	**Cash and cash equivalents at the beginning of the period**			513
513	**Cash and cash equivalents at the end of the period**			**3,120**
	Reconciliation of net cash flow to movement in net debt/cash			
88	Increase in cash in year			2,607
425	Net debt/cash at 1 April			513
513	**Net debt/cash at 31 March**			**3,120**

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

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	General Fund £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2017		7,532	622	1,151	9,305
Prior year adjustments for changes in accounting policy and material errors	20	0	0	0	0
Restated balance at 1 April 2016		**7,532**	**622**	**1,151**	**9,305**
Changes in taxpayers' equity for 2016-17					
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a	0	45	0	45
Net gain/(loss) on revaluation of available for sale financial assets	10	0	0	(18)	(18)
Impairment of property, plant and equipment		0	(277)	0	(277)
Impairment of intangible assets	6	0	(18)	0	(18)
Revaluation and impairments taken to operating Costs	2a	0	493	0	493
Transfers between reserves		32	(32)	0	0
Other non cash costs - transfer of asset NHS Highland		22	0	0	22
Net operating cost for the year	SOCNE	(59,390)	0	(12)	(59,402)
Total recognised income and expense for 2017-18		**(59,336)**	**211**	**(30)**	**(59,155)**
Funding:					
Drawn down		93,019	0	0	93,019
Movement in General Fund (Creditor) / Debtor	CFS	(2,636)	0	0	(2,636)
Balance at 31 March 2018	SoFP	**38,579**	**833**	**1,121**	**40,533**

FOR THE YEAR ENDED 31 MARCH 2017

Balance at 31 March 2016		6,401	594	1,005	8,000
Prior year adjustments for changes in accounting policy and material errors	20	0	0	0	0
Restated balance at 1 April 2016		**6,401**	**594**	**1,005**	**8,000**
Changes in taxpayers' equity for 2016-17					
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a	0	58	0	58
Net gain/(loss) on revaluation of available for sale financial assets	10	0	0	138	138
Impairment of property, plant and equipment		0	(120)	0	(120)
Revaluation and impairments taken to operating Costs	2a	0	120	0	120
Transfers between reserves		30	(30)	0	0
Net operating cost for the year	SOCNE	(56,144)	0	8	(56,136)
Total recognised income and expense for 2016-17		**(56,114)**	**28**	**146**	**(55,940)**
Funding:					
Drawn down		57,294	0	0	57,294
Movement in General Fund (Creditor) / Debtor	CFS	(49)	0	0	(49)
Balance at 31 March 2017	SoFP	**7,532**	**622**	**1,151**	**9,305**

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

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1. Authority

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

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

Disclosure of New Accounting Standards

(a) New standards in 2017/18:

There are no new standards, amendments and interpretations that became effective in 2017/18 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 9 – Financial instruments (new)
- IFRS 10 and IAS 28 – Sale or contribution of Assets between an investor and its associates or joint (amendment)
- IFRS 14 – Regulatory Deferral Accounts (new)
- IFRS 15 – Revenue from Contracts with Customers (IAS 18 replacement – revenue recognition)
- IFRS 16 – Leases (IAS 17 replacement)
- IFRS 17 Insurance Contracts (new)
- IAS 7 - Disclosure Initiative (issued in January 2016) (amendment)
- IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016) (amendment).

IFRS 16 will be effective from financial year 2020/21 and will require most leased buildings, plant and equipment to be included as an asset with a corresponding liability on the Balance Sheet.

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

2. Basis of Consolidation

Consolidation

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

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

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

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

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

Note 27 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

3. Prior Year Adjustments

There were no prior year adjustments.

4. Going Concern

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

5. Accounting Convention

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

6. Funding

Most of the expenditure for NHS Orkney is met from funds advanced by the Scottish Government within an approved revenue resource limit. Cash drawn down to fund expenditure within this approved revenue resource limit (RRL) is credited to the general fund.

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

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

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

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

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

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

7. Property, plant and equipment

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

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

7.1 Recognition

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

1) property, plant and equipment assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000
2) in cases where a new hospital would face an exceptional write off of items of equipment costing individually less than £5,000, NHS Orkney has the option to capitalise initial revenue equipment costs with a standard life of 10 years
3) assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

7.2 Measurement

Valuation:

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

All assets are measured subsequently at fair value as follows:

- specialised NHS Land, buildings, equipment, installations and fittings are stated at depreciated replacement cost, as a proxy for fair value as specified in the FReM
- non specialised land and buildings, such as offices, are stated at fair value
- valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal

and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

- non specialised equipment, installations and fittings are valued at fair value. NHS Bodies value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).

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

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

- specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only

- subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to NHS Orkney and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria the expenditure is charged to the Statement of Consolidated Comprehensive Net Expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.

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

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

- gains and losses on revaluation are reported in the Statement of Consolidated Comprehensive Net Expenditure.

7.3 Depreciation

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

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

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

Depreciation is charged on a straight line basis.

The following asset lives have been used:

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

8. Intangible Assets

8.1 Recognition

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

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

The main classes of intangible assets recognised are:

Software:

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

Software licences:

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

8.2 Measurement

Valuation:

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

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

Revaluation and impairment:

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

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

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

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

8.3 Amortisation

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

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

1) software is amortised over their expected useful life
2) software licences are amortised over the shorter term of the licence and their useful economic lives.
3) other intangible assets are amortised over their expected useful life.
4) intangible assets which have been reclassified as 'Held for Sale' cease to be amortised upon reclassification.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
Software	5

9. Non-current assets held for sale

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

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

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

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

10. Donated Assets

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

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

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

12. Leasing

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

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

13. Impairment of non-financial assets

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

14. General Fund Receivables and Payables

Where NHS Orkney has a positive net cash book balance at the year end, a corresponding creditor is created and the general fund debited with the same amount to indicate that this cash is repayable to the Scottish Government. Where NHS Orkney has a net overdrawn cash position at the year end, a corresponding debtor is created and the general fund credited with the same amount to indicate that additional cash is to be drawn down from the Scottish Government.

15. Inventories

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

16. Losses and Special Payments

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

17. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

NHS Orkney participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. NHS Orkney is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Consolidated Comprehensive Net Expenditure represents NHS Orkney's employer contributions payable to the scheme in respect of

the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

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

18. Clinical and Medical Negligence Costs

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

NHS Orkney provide for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' as 50% of the claim and those in 'category 1' as nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

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

19. Related Party Transactions

Material related party transactions are disclosed in the note 25 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

20. Value Added Tax

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

21. NPD Schemes

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

22. Provisions

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

23. Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets, but are disclosed in note 14 where an inflow of economic benefits is probable.

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

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

24. Corresponding Amounts

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

25. Financial Instruments

Financial assets

Classification

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

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

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

Recognition and measurement

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

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

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

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

The Board assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of Consolidated Comprehensive Net Expenditure. Impairment losses recognised in the Statement of Consolidated Comprehensive Net Expenditure on equity instruments are not reversed through the income statement.

Financial Liabilities

Classification
The Board classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.
Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities. The NHS Board's other financial liabilities comprise trade and other payables in the balance sheet.

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

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

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

26. Segmental reporting

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

Operating segments are unlikely to directly relate to the analysis of expenditure shown in notes 3.

27. Cash and cash equivalents

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

28. Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

29. Third party assets

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

However, they are disclosed in note 25 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

30. Key sources of judgement and estimation uncertainty

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

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

- estimates: assumptions regarding estimated impairment
- estimates: assumptions underlying the likelihood and outcome of material provisions.
- estimates: assumptions around fixed asset lives.
- estimates: actuarial assumptions in respect of post-employment benefits.
- judgement: whether substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to NHS Orkney.

NHS ORKNEY

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Notes to the cash flow statement
2a. Consolidated adjustments for non-cash transactions

2016/17 £'000		2017/18 £'000	Notes
	Expenditure Not Paid In Cash		
1,175	Depreciation	1,168	7a
40	Amortisation	59	N6
13	Depreciation Donated Assets	10	7a
0	Impairments on PPE charged to SoCNE	346	
0	Net revaluation on PPE charged to SoCNE	198	
120	Reversal of impairments on PPE charged to SOCNE	(69)	
0	Impairments on intangible assets charged to SoCNE	18	N6
1	Loss/(Profit) on disposal of property, plant and equipment	(1)	
1,349	**Total Expenditure Not Paid In Cash**	**1,729**	CFS

2b. Interest payable recognised in operating expenditure

There was no interest payable in 2016/17 or 2017/18.

2c. Consolidated movements in working capital

2016/17		2017/18			
Net Movement £'000		**Opening Balances £'000**	**Closing Balances £'000**	**Net Movement £'000**	**Notes**
	INVENTORIES				
(109)	Balance Sheet	544	466		8
(109)	**Net Decrease/(Increase)**			**78**	
	TRADE AND OTHER RECEIVABLES				
(1009)	Due within one year	1,626	1,355		9
10	Due after more than one year	10	9		9
		1,636	1,364		
(999)	**Net Decrease/(Increase)**			**272**	
	TRADE AND OTHER PAYABLES				
1,296	Due within one year	5,635	15,038		12
728	Less: Property, Plant & Equipment (Capital) included in above	173	(8,687)		
(49)	Less: General Fund Creditor included in above	(373)	(3,009)		
		5,435	3,342		
1,975	**Net Increase/(Decrease)**			**(2,093)**	
	PROVISIONS				
425	Statement of Financial Position	1,447	1,923		13a
425	**Net Increase**			476	
1,292	**NET MOVEMENT Increase/(Decrease)**			**(1,267)**	CFS

3. Operating expenses
3a. Staff Costs

2016/17 £'000		2017/18 £'000	Notes
7,151	Medical and Dental	7,438	
7,916	Nursing	8,571	
11,428	Other Staff	12,016	
26,495	**Total**	**28,025**	SOCNE

3b. Other operating expenditure

2016/17		2017/18	
£'000		Board £'000	Consolidated £'000
	Independent Primary Care Services:		
3,424	General Medical Services	3,685	3,685
110	Pharmaceutical Services	101	101
954	General Dental Services	1,008	1,008
293	General Ophthalmic Services	293	293
4,781	**Total Independent Primary Care Services**	**5,087**	**5,087**
	Drugs and medical supplies:		
4,274	Prescribed drugs and appliances - Primary Care	4,406	4,406
1,487	- Secondary Care	1,595	1,595
1,098	Medical Supplies	1,129	1,129
6,859	**Total Drugs and medical supplies**	**7,130**	**7,130**
	Other health care expenditure		
16,840	Contribution to Integration Joint Boards	31,358	31,358
7,632	Goods and services from other NHS Scotland bodies	7,719	7,718
33	Goods and services from other UK NHS bodies	50	50
845	Goods and services from private providers	743	743
101	Goods and services from voluntary organisations	90	90
2,380	Resource Transfer	2,141	2,141
8,668	Other operating expenses	10,019	10,019
71	Auditor's remuneration - statutory audit fee	71	71
8	Endowment Fund expenditure	0	65
36,578	**Total Other health care expenditure**	**52,191**	**52,255**
48,218	**Total**	**64,408**	**64,472**

4. Operating Income

2016/17		2017/18		
		Board	Consolidated	
£'000		£'000	£'000	Notes
465	Income from other NHS Scotland bodies	600	600	
114	Income from NHS non-Scottish bodies	125	125	
16,840	Income for services commissioned by Integration Joint Board (IJB)	31,358	31,358	
388	Patient charges for primary care	400	400	
1	Profit on disposal of assets	1	1	
(23)	Contributions in respect of clinical and medical negligence claims	0	0	
	Non NHS:			
39	Overseas patients (non-reciprocal)	32	32	
92	Endowment Fund Income	0	53	
661	Other	526	526	
18,577	**Total Income**	**33,042**	**33,095**	SOCNE

5. Segmental Information

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

	Hospital Services	Pharmacy & Drugs Costs	Orkney Health & Care	IJB	IJB Dental and Pharmacy NCL	External Commissioning	Estates & Facilities	Support Services
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2017/18 Net operating cost	12,018	2,001	223	22,745	1,252	10,444	3,384	4,814
2016/17 Net operating cost	11,807	5,819	389	16,840	1,224	10,032	3,130	4,809

	Ophthalmic NCL	Annually Managed Expenditure	Depreciation	Total
	£'000	£'000	£'000	£'000
2017/18 Net operating cost	293	1,000	1,228	**59,402**
2016/17 Net operating cost	293	587	1,214	**56,144**

6. Intangible Assets

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

Movements in 2016/17	Software Licences £'000	Assets Under Development £'000	Total £'000
Cost or Valuation:			
As at 1st April 2016	911	0	911
Additions	126	11	137
Transfers	11	(11)	0
At 31st March 2017	**1,048**	**0**	**1,048**
Amortisation			
As at 1st April 2016	816	0	816
Provided during the year	40	0	40
At 31st March 2017	**856**	**0**	**856**
Net Book Value at 1st April 2016	**95**	**0**	**95**
Net Book Value at 31 March 2017	SoFP **192**	**0**	**192**

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

Current Year Purchased Assets

Movements in 2017/18	Notes	Land (including underlying buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation										
At 1 April 2017		1,836	5,088	489	443	6,545	3,325	208	4,610	22,544
Additions		0	104	0	22	179	81	0	39,902	40,288
Completions		0	347	0	0	19	0	0	(366)	0
Transfers between asset categories		0	0	0	0	0	0	0	(49)	(49)
Transfers (to) / from non-current assets held for sale		(10)	0	(38)	0	0	0	0	0	(48)
Revaluation		45	0	0	0	0	0	0	0	45
Impairment charges		0	(513)	(93)	0	(80)	0	(15)	0	(701)
Impairment reversals		25	0	13	0	0	0	0	0	38
Disposals		0	0	0	(30)	0	0	0	0	(30)
At 31 March 2018		**1,896**	**5,026**	**371**	**435**	**6,663**	**3,406**	**193**	**44,097**	**62,087**
Depreciation										
At 1 April 2017		0	1,371	102	315	5,298	2,793	175	0	10,054
Provided during the year-purchased		0	669	29	36	290	138	6	0	1,168
-donated		0	3	0	0	3	4	0	0	10
Transfers (to) / from non-current assets held for sale		0	0	(7)	0	0	0	0		(7)
Impairment charges		0	(299)	(45)	0	(1)	0	(10)	0	(355)
Impairment reversals		0	0	(31)	0	0	0	0		(31)
Disposals		0	0	0	(31)	0	0	0	0	(31)
At 31 March 2018		**0**	**1,744**	**48**	**320**	**5,590**	**2,935**	**171**	**0**	**10,808**
Net book value at 1 April 2017		**1,836**	**3,717**	**387**	**128**	**1,247**	**532**	**33**	**4,610**	**12,490**
Net book value at 31 March 2018	SoFP	**1,896**	**3,282**	**323**	**115**	**1,073**	**471**	**22**	**44,097**	**51,279**

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

Asset financing:

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

Prior year Purchased Assets

Movements in 2016/17	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 2016		1,836	4,206	486	426	6,431	3,095	203	3,188	19,871
Additions		0	23	0	52	153	215	5	2,453	2,901
Completions		0	915	0	0	101	15	0	(1,031)	0
Revaluation		0	64	3	0	0	0	0	0	67
Impairment		0	(120)	0	0	0	0	0	0	(120)
Disposals		0	0	0	(35)	(140)	0	0	0	(175)
At 31 March 2017		**1,836**	**5,088**	**489**	**443**	**6,545**	**3,325**	**208**	**4,610**	**22,544**
Depreciation										
At 1 April 2016		0	703	72	301	5,118	2,669	168	0	9,031
Provided during the year-purchased		0	656	29	48	315	120	7	0	1,175
-donated		0	4	0	0	5	4	0	0	13
Revaluation		0	8	1	0	0	0	0	0	9
Disposals		0	0	0	(34)	(140)	0	0	0	(174)
At 31 March 2017		**0**	**1,371**	**102**	**315**	**5,298**	**2,793**	**175**	**0**	**10,054**
Net book value at 1 April 2016		**1,836**	**3,503**	**414**	**125**	**1,313**	**426**	**35**	**3,188**	**10,840**
Net book value at 31 March 2017	SoFP	**1,836**	**3,717**	**387**	**128**	**1,247**	**532**	**33**	**4,610**	**12,490**

Open Market Value of Land in Land and Dwellings Included Above	**1,836**	**387**

Asset financing:

Owned-purchased	1,836	3,710	387	128	1,242	528	33	4,610	12,474
-donated	0	7	0	0	5	4	0	0	16
Net book value at 31 March 2017 SoFP	**1,836**	**3,717**	**387**	**128**	**1,247**	**532**	**33**	**4,610**	**12,490**

7(b). Assets Held for Sale

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

Bayview, Longhope.

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

Movements in 2016/17		Property, Plant & Equipment £'000
At 1 April 2016		**0**
As at 31 March 2017	SoFP	**0**

7(c). Property, Plant and Equipment Disclosures

2016/17 £'000		2017/18 £'000	Notes
	Net book value of property, plant and equipment at 31 March		
12,474	Purchased	51,273	
16	Donated	6	
12,490	**Total**	**51,279**	SoFP

1,836	Net book value related to land valued at open market value at 31 March	1,826

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

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). The values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

The net impact was an increase of £0.243m (2016-17: an increase of £0.072m) which was credited to the revaluation reserve. Impairment of £0.491m (2016-17: £0.124m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

The movement on Purchased assets of £38.8m contains the New Hospital and Healthcare Facility as an asset under construction, as an on balance sheet NPD contract.

7(d). Analysis of Capital Expenditure

2016/17 £'000		2017/18 £'000	Notes
	EXPENDITURE		
137	Acquisition of Intangible Assets	53	6
2,901	Acquisition of Property, plant and equipment	40,288	7a
3,038	**Gross Capital Expenditure**	**40,341**	
	INCOME		
1	Net book value of disposal of Property, plant and equipment	(1)	7a
0	Value of disposal of Non-Current Assets held for sale	0	
1	**Capital Income**	**(1)**	

3,037	**Net Capital Expenditure**	**40,342**

SUMMARY OF CAPITAL RESOURCE OUTTURN

3,037	Core capital expenditure included above	40,342
3,037	Core Capital Resource Limit	40,342
0	**Saving/(excess) against Core Capital Resource Limit**	**0**
3,037	Total Capital Expenditure	40,342
3,037	Total Capital Resource Limit	40,342

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

8. Inventories

2016/17 £'000		Notes	2017/18 £'000
544	Raw Materials and Consumables		466
544	**Total Inventories**	SoFP	**466**

9. Trade and Other Receivables

Consolidated 2016/17 £'000	Board 2016/17 £'000		Consolidated 2017/18 £'000	Board 2017/18 £'000	Notes
		Receivables due within one year			
		NHS Scotland			
120	120	Boards	146	146	
120	**120**	**Total NHS Scotland Receivables**	**146**	**146**	
25	25	NHS Non-Scottish Bodies	24	24	
160	160	VAT recoverable	693	693	
968	968	Prepayments	311	311	
162	162	Other Receivables	163	163	
190	190	Other Public Sector Bodies	10	10	
1	0	Endowments consolidation	8	0	
1,626	**1,625**	**Total Receivables due within one year**	**1,355**	**1,347**	SoFP
		Receivables due after more than one year			
		NHS Scotland			
10	10	Prepayments	38,870	38,870	
0	0	Accrued income	4	4	
10	**10**	**Total Receivables due after more than one year**	**38,874**	**38,874**	SoFP
1,636	**1,635**	**TOTAL RECEIVABLES**	**40,229**	**40,221**	
88	88	The total receivables figure above includes a provision for impairments of :	92	92	
		WGA Classification			
120	120	NHS Scotland	146	146	
160	160	Central Government Bodies	694	694	
211	211	Whole of Government Bodies	8	8	
25	25	Balances with NHS Bodies in England and Wales	24	24	
1,120	1,119	Balances with bodies external to Government	39,357	38,349	
1,636	**1,635**	**Total**	**40,229**	**40,221**	

2016/17 £'000	2016/17 £'000	Movements on the provision for impairment of receivables are as follows:	2017/18 £'000	2017/18 £'000
8	8	At 1 April	88	88
87	87	Provision for impairment	4	4
(7)	(7)	Receivables written off during the year as uncollectible	(1)	(1)
0	0	Unused amounts reversed	1	1
88	**88**	At 31 March	**92**	**92**

Other long term prepayments represent the New Hospital and Healthcare prepayment of £38.865m.

As of 31 March 2018, receivables with a carrying value of £92,000 (2017: £88,000) were impaired and provided for. The ageing of these receivables is as follows:

2016/17 £'000		2017/18 £'000
87	3 to 6 months past due	0
1	Over 6 months past due	92
88		**92**

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

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2018, receivables with a carrying value of £1.356 million (2017: £1.635 million) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Consolidated 2016/17	Board 2016/17		Consolidated 2017/18	Board 2017/18
1,623	1,623	Up to 3 months past due	1,361	1,353
90	90	3 to 6 months past due	0	0
11	11	Over 6 months past due	95	95
1,724	**1,724**		**1,456**	**1,448**

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

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

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

10. Available for Sale Financial Assets

2016/17 £'000		2017/18 £'000	Notes
67	Government securities	65	
945	Other	942	
1,012	**TOTAL**	**1,007**	SoFP
893	At 1 April	1,012	
24	Additions	122	CFS
(43)	Disposals	(109)	
138	Revaluation surplus/(deficit) transferred to equity	(18)	SOCTE
1,012	At 31 March	**1,007**	
1,012	Non-current	1,007	SoFP
1,012	At 31 March	**1,007**	
0	The carrying value includes an impairment provision of	**0**	

All the transactions relate to the endowment funds.

11. Cash and Cash Equivalents

2016/17 £'000		2017/18 £'000	Notes
425	Balance at 1 April	513	
88	Net change in cash and cash equivalent balances	2,607	CFS
513	**Balance at 31 March**	**3,120**	SoFP
513	**Total Cash – Cash Flow Statement**	**3,120**	

337	Government Banking Service	2,989
36	Commercial banks and cash in hand	20
140	Endowment cash	111
513	**Balance at 31 March**	**3,120**

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

12. Trade and Other Payables

Consolidated 2016/17 £'000	Board 2016/17 £'000		Consolidated 2017/18 £'000	Board 2017/18 £'000	Notes
		Payables due within one year			
		NHS Scotland			
4	4	SGHSCD	0	0	
1,896	1,896	Boards	588	588	
1,900	**1,900**	**Total NHS Scotland Payables**	**588**	**588**	
8	8	NHS Non-Scottish Bodies	20	20	
373	373	Amounts Payable to General Fund	3,009	3,009	
531	531	FHS Practitioners	571	571	
928	928	Trade Payables	395	395	
879	879	Accruals	9,356	9,356	
501	501	Income tax and social security	547	547	
356	356	Superannuation	374	374	
97	97	Holiday Pay Accrual	107	107	
60	60	Other Public Sector Bodies	66	66	
2	0	Endowments Consolidation	5	0	
5,635	**5,633**	**Total Payables due within one year**	**15,038**	**15,033**	SoFP
		Payables due after more than one year			
0	0	Other payables - NPD	38,865	38,865	
5,635	**5,633**	**TOTAL PAYABLES**	**53,903**	**53,898**	

		WGA Classification			
1,896	1,896	NHS Scotland	588	588	
859	859	Central Government Bodies	921	921	
68	68	Whole of Government Bodies	65	65	
8	8	Balances with NHS Bodies in England and Wales	20	20	
2,804	2,802	Balances with bodies external to Government	52,309	52,304	
5,635	**5,633**	**Total**	**53,903**	**53,898**	

Other long term payables represent the New Hospital and Healthcare liability of £38.865m

All carrying amounts of payables are denominated in pounds sterling

13. Provisions

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

Analysis of expected timing of discounted flows to 31 March 2018

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

Movements in 2016/17	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000
At 1 April 2016	357	50	497	118	1,022
Arising during the year	42	0	650	79	771
Utilised during the year	(33)	0	(41)	0	(74)
Unwinding of Discount	0	0	(1)	0	(1)
Reversed unutilised	0	(50)	(103)	(118)	(271)
At 31 March 2017	**366**	**0**	**1,002**	**79**	**1,447**

Analysis of expected timing of discounted flows to 31 March 2017

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000	Notes
Payable in one year	28	0	274	79	381	SoFP
Payable between 2 - 5 years	338	0	593	0	931	
Payable between 6 - 10 years	0	0	28	0	28	
Thereafter	0	0	107	0	107	
At 31 March 2017	**366**	**0**	**1,002**	**79**	**1,447**	

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 0.1% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 38 years.

Clinical and Medical Legal Claims against NHS Board

The Board holds a provision to meet costs of all outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who decides upon risk liability and likely outcome of each case. The provision contains sums for settlement awards, legal expenses and third party costs. Clinical and medical negligence cases can be extremely complex. It is expected expenditure will be charged to this provision for a period of up to 10 years.

Other

The Board had made a provision for payment to Her Majesty's Revenue and Customs (HMRC) of uncollected income tax in 2016/17. This was resolved in 2017/18. A new provision has been made in 2017/18 for pay as if at work arrears due to staff.

Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

2016/17 £'000		2017/18 £'000	Notes
0	Provision recognising individual claims against the NHS Board as at 31 March	5	13
0	Associated CNORIS receivable at 31 March	0	9
1,002	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	1,062	17
1,002	**Net Total Provision relating to CNORIS at 31 March**	**1,067**	

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

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

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

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

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

14. Contingent Liabilities

There are no contingent liabilities in 2016/17 or 2017/18.

15. Events after the end of the reporting year

There are no events after 31 March 2018 with 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.

2016/17		2017/18
Property, plant and equipment: £'000		**Property, plant and equipment: £'000**
	Contracted	
68,394	New Hospital and Healthcare facility	23,583
0	New Healthcare Facility Equipment	1,320
68,394	**Total**	**24,903**

17. Commitments under leases

2016/17 £'000	Operating Leases	2017/18 £'000
	Obligations under operating leases comprise:	
	Land	
14	Not later than one year	16
14	Later than one year, not later than 2 years	16
42	Later than two year, not later than five years	31
0	Later than five years	0
	Buildings	
117	Not later than one year	129
103	Later than one year, not later than 2 years	115
308	Later than two year, not later than five years	229
0	Later than five years	0
	Other	
4	Not later than one year	4
2	Later than one year, not later than 2 years	0
0	Later than two year, not later than five years	0

Amounts charged to Operating Costs in the year were:

12	Hire of equipment (including vehicles)	11
142	Other operating leases	155
154	**Total**	**166**

There are no finance leases within NHS Orkney.

18. Commitments under NPD contracts

The accounting treatment reflects the nature of the contract, which is a Non Profit Distribution (NPD) scheme with a funding variant. As agreed in the business case this asset is on the public sector Balance Sheet as a Fixed Asset (Under Construction until in use). The prepayment of the Annual Service Payment (ASP) is recognised as a long term debtor, and the requirement to pay the ASP over the 25 year period of the contract is recognised as a long term liability. The assessed value at end March 2018 is £38.865m of a prepayment schedule of £62.3m.

19. Pension Costs

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2017-18 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 £5,876 up to £45,000, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

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

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

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

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

2016/17 £'000		2016/17 £'000
2,799	Pension cost charge for the year	2,980
29	Additional Costs arising from early retirement	6
366	Provisions/Liabilities/Pre-payments included in the Balance Sheet	356

20. Presentation of the Statement of Consolidated Expenditure

The presentation of the Statement of Comprehensive Net Expenditure has been changed following a review of our financial statements in order to provide information which is more reliable and better reflects the activities of NHS Orkney. The comparative information in respect of 2016-17 has been presented in the new format in the SoCNE. No restatements were required.

Changes to the presentation of the SoCNE affect expenditure and income categories. Staff costs and expenditure on drugs and medical supplies have been removed from previous expenditure categories and are now shown on the face of the SoCNE. This provides greater transparency over the nature of NHS Orkney's expenditure. Further information on the composition of expenditure categories is disclosed in Note 3.

Income is now shown as a single figure. Further details are disclosed in Note 4.

2016/17	£'000
2016-17 expenditure as published	
Hospital and Community	57,246
Family Health	13,175
Administration Costs	1,265
Other Non-Clinical Services	3,027
Gross expenditure for the year	**74,713**
2016-17 expenditure conforming to the new presentation	
Staff Costs	26,495
Other expenditure:	
Independent Primary Care Services	4,781
Drugs and medical supplies	6,859
Other health care expenditure	36,578
Gross expenditure for the year	**74,713**
2016-17 income as published	
Hospital and Community Income	17,282
Family Health Income	388
Other Operating Income	907
Gross income for the year	**18,577**
2016-17 income conforming to the new presentation	
Operating income	18,577
Gross income for the year	**18,577**
Movement in gross income for the year	**0**

21. Retrospective Restatements

There were no prior year adjustments.

22. Restated Primary Statements

There are no adjustments to the primary statements as a result of prior year adjustments.

23. Financial Instruments

23(a). Financial Instruments by Category

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

	Consolidated			Board	
2016/17	Loans and Receivables £'000	Available for Sale £'000	Total £'000	Loans and Receivables £'000	Notes
At 31 March 2017					
Assets per balance sheet					
Investments	0	1,012	1,012	0	10
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	378	0	378	377	9
Cash and cash equivalents	513	0	513	373	11
	891	**1,012**	**1,903**	**750**	

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

	Consolidated	Board	
2016/17	Other financial liabilities £'000	Other financial liabilities £'000	Notes
At 31 March 2017			
Liabilities per balance sheet			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	2,878	2,876	12
	2,878	**2,876**	

23(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 2018 was £13.524 (31 March 2017 was £2.876m).

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.

24. Derivative Financial Instruments

NHS Orkney does not have any derivative financial instruments.

25. Related Party Transactions

Gillian Skuse is a director of Age Scotland Orkney and Jeremy Richardson is chair. In year NHS Orkney has invoiced Age Scotland Orkney £132.12 which has been paid in full.

The directors of the Board are also Trustees of Orkney Health Board Endowment funds. At 31 March 2018 there were outstanding debts of £3,374.35 due to NHS Orkney and nil due by NHS Orkney.

The Integrated Joint Board expenditure in 2017/18 was £31.358m (2016/17: £16.924m).

26. Third Party Assets

Third Party Assets managed by the Board consist of balances on Patients' Private Funds Accounts. There were no third party assets held in 2017/18 or 2016/17.

27(a). Consolidated Statement of Comprehensive Net Expenditure

2016/17			2017/18		
Group		Notes	Board	Endowments	Consolidated
£'000			£'000	£'000	£'000
	Total income and expenditure				
26,495	Staff costs	N3	28,025	0	28,025
	Other operating expenditure:	N3			
4,781	Independent Primary Care Services		5,087	0	5,087
6,859	Drugs and medical supplies		7,130	0	7,130
36,578	Other health care expenditure		52,190	65	52,255
74,713	**Gross Expenditure for the year**		**92,432**	**65**	**92,497**
(18,577)	Less: Other Operating Income	N4	(33,042)	(53)	(33,095)
56,136	**Net Operating Costs**		**59,390**	**12**	**59,402**

27(b). Consolidated Statement of Financial Position

2016/17			2017/18		
Consolidated £'000		Notes	Board £'000	Endowment £'000	Consolidated £'000
	Non-current assets:				
12,490	Property, plant and equipment	SoFP	51,279	0	51,279
192	Intangible assets	SoFP	217	0	217
	Financial assets:				
1,012	Available for sale financial assets	SoFP	0	1,007	1,007
10	Trade and other receivables	SoFP	38,874	0	38,874
13,704	**Total non-current assets**		**90,370**	**1,007**	**91,377**
	Current Assets:				
544	Inventories	SoFP	466	0	466
	Financial assets:				
1,626	Trade and other receivables	SoFP	1,347	8	1,355
513	Cash and cash equivalents	SoFP	3,009	111	3,120
0	Assets classified as held for sale	SoFP	41	0	41
2,683	**Total current assets**		**4,863**	**119**	**4,982**
16,387	**Total assets**		**95,233**	**1,126**	**96,359**
(381)	Provisions	SoFP	(641)	0	(641)
	Financial liabilities:				
(5,635)	Trade and other payables	SoFP	(15,033)	(5)	(15,038)
(6,016)	**Total current liabilities**		**(15,674)**	**(5)**	**(15,679)**
10,371	**Non-current assets plus/less net current assets/liabilities**		**79,599**	**1,121**	**80,680**
	Non-current liabilities				
(1,066)	Provisions	SoFP	(1,282)	0	(1,282)
0	Trade and other payables		(38,865)	0	(38,865)
(1,066)	**Total non-current liabilities**		**(40,147)**	**0**	**(40,147)**
9,305	**Assets less liabilities**		**39,412**	**1,121**	**40,533**
	Taxpayers' Equity				
7,532	General fund	SoFP	38,579	0	38,579
622	Revaluation reserve	SoFP	833	0	833
1,151	Funds Held on Trust	SoFP	0	1,121	1,121
9,305	**Total taxpayers' equity**		**39,412**	**1,037**	**40,533**

27(c). Consolidated Statement of Cash Flows

2016/17		2017/18		
Consolidated £'000		Board £'000	Endowment £'000	Group £'000
	Cash flows from operating activities			
(56,136)	Net operating cost	(59,390)	(12)	(59,402)
1,349	Adjustments for non-cash transactions	1,729	0	1,729
1,327	Movements in working capital	(1,267)	0	(1,267)
(53,460)	**Net cash outflow from operating activities**	**(58,928)**	**(12)**	**(58,940)**
	Cash flows from investing activities			
(3,629)	Purchase of property, plant and equipment	(31,428)	0	(31,428)
(137)	Purchase of intangible assets	(53)	0	(53)
(24)	Investment Additions	0	(122)	(122)
0	Transfer of assets from other NHS bodies	21	0	21
0	Proceeds of disposal of property, plant and equipment	0	0	0
44	Receipts from sale of investments	0	110	110
(3,746)	**Net cash outflow from investing activities**	**(31,460)**	**(12)**	**(31,472)**
	Cash flows from financing activities			
57,245	Funding	90,383	0	90,383
49	Movement in general fund working capital	2,641	(5)	2,636
57,294	Cash drawn down	93,024	(5)	93,019
57,294	**Net Financing**	**93,024**	**(5)**	**93,019**
88	**Net Increase / (decrease) in cash and cash equivalents in the period**	2,636	(29)	2,607
425	**Cash and cash equivalents at the beginning of the period**	373	140	513
513	**Cash and cash equivalents at the end of the period**	**3,009**	**111**	**3,120**
	Reconciliation of net cash flow to movement in net debt/cash			
88	Increase/(decrease) in cash in year	2,636	(29)	2,607
425	Net debt/cash at 1 April	373	140	513
513	**Net debt/cash at 31 March**	**3,009**	**111**	**3,120**

Orkney Health Board

DIRECTION BY THE SCOTTISH MINISTERS

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

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

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

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

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

Signed by the authority of the Scottish Ministers

Dated: 10/02/06