



ANNUAL REPORT AND ACCOUNTS

For

Year Ended 31 March 2023

NHS ORKNEY ANNUAL REPORT AND ACCOUNTS 2022/23

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NHS ORKNEY

ANNUAL REPORT AND ACCOUNTS 2022/23

PERFORMANCE REPORT - OVERVIEW

1. Purpose

The Overview aims to provide the reader with sufficient information to understand the purpose of the NHS Orkney Board, the key risks to the achievement of its objectives and how it has performed during 2022/23. Additional information has been provided in the Performance Report, the Accountability Report and the Financial Statements.

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

2. Chief Executive's Statement

2022/23 has been another challenging year as we have continued to navigate recovery from the challenges posed by the Covid-19 pandemic, including increased waiting times and workforce pressures. On behalf of the Board, I would like to express my sincere thanks and appreciation to all of our staff, and partners for their fantastic work and dedication to support the provision of high-quality health and social care to patients across our local community.

The organisation has continued to respond to the ever-increasing challenges posed by the competing demands on our services. Our teams have risen to the challenge admirably and worked tirelessly to support those we care for and, maintain and wherever possible further improve our services.

As we continue to recover from the impact of the pandemic and the range of special measures put in place as a result, we will need to continue the journey of redesigning how and where care is provided to ensure that we can continue to meet the health and social care needs of our population both now and in the future. Across Orkney we remain committed to providing care in the right places to meet the needs of our local community and build on the solid foundations already established through the welcome integration of health and social care.

The continued response and commitment from our staff, partners and the public in this phase of the Covid-19 pandemic should be applauded. Covid-19 has brought with it challenges but also many opportunities to further improve how we do things for the better, including the successful implementation of new ways of working at a pace and accelerating digitisation, which is much-needed in Orkney. We continue to learn and benefit from these new approaches to innovate and develop new approaches and we intend to build on these further as we begin the next chapter of our improvement journey which will see the delivery of our recently published five-year Clinical Strategy which will, along with our Corporate Plan for 2023/24, guide where we focus our energies and determine our priorities in years to come.

Our new Clinical Strategy was approved by the Board in 2022/23 as part of the organisation's commitment to developing a clear strategic future vision for Orkney's health and care services for the longer-term. The approved Strategy is now being rolled-out by NHS Orkney in conjunction with our partners and brought to life so we can closely track our progress on a regular basis against a clear delivery plan. We are

grateful to everyone who contributed to the development of our Clinical Strategy, including our patients, local community, partners and staff, so we can ensure our future plans and priorities best meet the needs of those we serve.

The Board continues to focus and respond to key strategic issues that are critically important to the future of NHS Orkney. The recommendations from the Care Inspectorate Report of the Joint Inspection of Services for Children and Young People in need of care and protection in Orkney (February 2020), *including the subsequent progress reviews in 2021 and 2022*, and the recently published Joint Inspection of Adult Support and Protection in the Orkney Partnership (April 2023) recognised improvements but sets out the areas where continued focus is needed. We still have much to do in delivering the necessary changes required to ensure the best possible outcomes for everyone across Orkney, particularly the vulnerable and addressing the areas for improvement highlighted in these reports is central to our focus in the year to come so that we can demonstrate continuous improvements.

Further improving our organisational culture at NHS Orkney remained a key area of focus for the Board in 2022/23, building on the Digital Health and Care Innovation Centre (DHI) Listening Exercise undertaken in 2020/21. We have continued to focus our efforts on taking forward the agreed recommendations through a comprehensive set of actions in partnership with our staff at NHS Orkney. Whilst many of these actions have now concluded, we know from the feedback we receive from our staff that we have much more to do in this important space and as such improving our culture for the better and improving staff engagement remains a top priority going into 2023/24 recognising this is essential to the delivery of high-quality patient care.

A set of key priorities for NHS Orkney were agreed for 2022/23 which resulted in a refreshed 'Plan on a Page' for the year, with a focus on five priority areas:

- Workforce
- Culture
- Quality and Safety
- Systems and Governance
- Sustainability

As we look ahead to 2023/24, this is a year where there must be a reset after much change, including to leadership, and a year where we aim to achieve stability and put in place the necessary foundations and basics which are needed in order to build in the years to come. As such, a refreshed plan with key priorities for 2023/24 has been developed by NHS Orkney's Senior Management Team, which has been endorsed by the Board, in order to ensure the focus on the five priority areas above remains consistent and year-on-year improvements can be evidenced.

As I embark on my new role as Chief Executive of NHS Orkney, I am absolutely committed to further improving both patient and staff experience and our services. I am incredibly proud to lead this fantastic organisation in its next exciting chapter, working closely with our partners to truly place the health and wellbeing of our community at the heart of how we work together. I look forward to the future with real hope and consider it a privilege to be working alongside so many committed and talented staff at NHS Orkney (Team Orkney) our partners, our local community and wider external stakeholders, as we navigate through 2023/24 and welcome the exciting future possibilities we can deliver for the people of Orkney so we can begin to fulfil our true potential in the years to come.

3. Background and Principal Activities

Orkney Health Board (NHS Orkney) was established in 1974 under the National Health Service (Scotland) Act 1972 and is responsible for providing healthcare services for the residents of Orkney, with a growing population of approximately 22,000. We employ 762 staff and provide a range of primary, community-based and acute hospital services.

In 2022/23, we treated 4,301 individual inpatient/daycases compared to 2,551 in 2021/22. In 2022/23, 4,242 patients on a new waiting list attended our specialist outpatient clinics (2021/22 – 4,492) and we cared for 7,088 people in our Emergency Department (compared to 5,870 in 2021/22).

NHS Orkney is the smallest Territorial Health Board in Scotland by general funding allocation, and our services are delivered through an Acute Sector, a Public Health Directorate and a range of Primary and Community Care services delegated to the Integration Joint Board (IJB). Our clinical services are supported by a range of corporate functions such as Finance, People and Culture, Estates and Facilities, Digital and Communications.

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

4. Non-Financial Performance

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

- Workforce
- Culture
- Quality and Safety
- Systems and Governance
- Sustainability

These priorities are further defined in NHS Orkney's Plan on a Page (for both 2022/23 and 2023/24).

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

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

During 2022/23, the Board continued to strive to deliver a safe and effective services whilst managing ongoing requirements in relation to our recovery from the pandemic, and successfully meeting its financial targets.

The Board monitors its performance against a range of quality and performance measures, some of which are set nationally. The performance measures in this section use national and local sources to present our 2022/23 performance. The Board's non-financial performance measures focus on the six dimensions of healthcare quality as highlighted in the Healthcare Quality Strategy for NHS Scotland which demonstrate that the system is Person Centred, Safe, Effective, Efficient, Equitable and Timely.

The Board continues to work with Public Health Scotland who support national and local partners across Scotland to work together to further improve healthy life expectancy and reduce health inequalities in our communities. Further information is available on the Public Health Scotland website (<https://www.publichealthscotland.scot>).

Public Health Scotland – Data and Intelligence publishes reports on various activities and performance of all NHS Boards. The most up-to-date information can be found at the following website: <https://www.nhsperforms.scot>

Consistent with other Health Boards, performance against the key national clinical treatment targets have been adversely impacted by recovery from the pandemic. The figures below highlight the performance data achieved to the end of March 2023, taken from internal data sources, noting that at the time of writing (13 May 2023) this is not yet formally validated.

Standard	Target	March 2023 Position
A&E (Emergency Department) 4-hour access	95%	86%
Treatment Time Guarantee (TTG)	95%	67%
Outpatient 12-weeks	95%	65%
Cancer 31-day	95%	100%
Cancer 62-day	95%	75%
18 weeks Referral to Treatment (RTT)	90%	92%
18 weeks Psychological Therapies (PT)	90%	100%
Children & Adolescent Mental Health Services (CAMHS)	90%	Data not available*

**The unpublished data has been submitted and will be published in the coming months*

During 2022/23, performance against several of the standards continued to be adversely affected by the pandemic although work to implement the Board's Annual Delivery Plan and a return to pre-Pandemic levels of Planned Care enabled a reduction to some of the backlogs and improvements against waiting times in some speciality areas. Achieving performance levels for the 12-week Outpatient Standard and the Treatment Time Guarantee continues to be affected where performance had previously been reduced as a result of pausing elective services in addition to some social distancing and increased infection prevention and control measures impacting on available on clinic and theatre capacity. Performance against the four-hour Emergency Access Standard has remained strong. Through the prioritisation of urgent suspected cancer diagnostic pathways and cancer treatments throughout the

pandemic, performance in relation to the cancer standards has also been good, though on occasion has been impacted by small numbers, including our 62-day performance where we are reliant on other tertiary hospitals off-island to deliver specialist care and treatment for our patients.

Although we have maintained performance against the four-hour Emergency Access Standard (86% 2022/23, 96% 2021/22), at times over the winter months, we have been challenged to maintain consistency of delivery in part due to whole system flow and capacity. Due to the available bed provision across the acute and social care sectors, delayed discharge implications and nosocomial outbreaks, we have seen a decline in our performance against this important standard.

Winter planning for 2022/23 engaged all service providers across the NHS and Integration Joint Board with additional surge capacity beds within acute utilised, leading to a loss of assessment bed capacity. In 2023/24, winter planning will commence in May 2023 to allow for an integrated whole system approach and early adoption of innovative and new service provision, thus embedding practice change prior to winter, with a focus on Assess to Admit, seven day provision of AHP services and Discharge Planning, underpinned by sustainable and flexible workforce planning.

The areas in which we are currently underperforming and are therefore below the national standards remain key areas of focus going into 2023/24, recognising our patients deserve to more consistently receive timely access and care for planned, emergency and cancer treatment. Linked to this, there are some services which we provide that are considered to be fragile services, which impacts on some waiting times, and as such plans are in place in these services and specialities, to make the improvements that are necessary, many of which are workforce related which typically presents more of a challenge in rural and remote areas such as Orkney.

The waiting times faced by our patients for access to secondary care services fall into two broad categories: those that lie wholly within NHS Orkney, and those for which we rely on our strategic partners. In the first category, restoration of the Pain Clinic is our highest priority. To support this, we are currently recruiting a consultant with an interest in the management of pain and engaging with National Services Scotland to aid development of a multi-disciplinary team approach. The current average waiting time for a routine appointment is 24 weeks. We expect this to reduce within three months and are aiming for the average waiting time to be 12 weeks within this financial year.

Across the services offered in combination with our strategic partners, the two areas with the longest waiting times are ophthalmology and rheumatology. Ophthalmology services are delivered via a Service Level Agreement (SLA) with NHS Highland. Across this service the current average waiting time for a routine appointment is 21 weeks. However, of particular concern are the 103 of our patients currently waiting over 26 weeks for treatment. We have been addressing this waiting list by using additional operating session provided by locums and intend to review the SLA within the next three months. With respect to rheumatology services, these are provided through a SLA with NHS Grampian. The current wait for a routine outpatient appointment is 24 weeks. To address this, we are working with our visiting consultant to review alternative delivery options for this service. This will include consideration of a GP with specialist interest delivery model similar to that already provided in Orkney for patients requiring dermatology review.

The Board's Annual Delivery Plan was developed and implemented through priorities identified as part of the Remobilisation Plan which had a key focus of improving access and addressing the backlogs that built during the pandemic. Planning and Service Delivery has relied on working closely with partner Boards to access elective capacity and ongoing clinical prioritisation to ensure timely access to services for those who are in greatest need.

5. Key Issues and Risks

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

The key strategic risks impacting NHS Orkney as of March 2023 are outlined below. These risks are managed within the Board's Corporate (Strategic) Risk Register which includes the controls and mitigation measures that are in place to manage these risks and have Board oversight.

Corporate Risk

Owner	Risk Title	Description	Risk level (current)	Risk level (Target)	Controls in place
Director of Public Health	Outbreak on Cruise Liners Docking In Orkney	Because cruise liners dock in Orkney, there is a risk that if there is an outbreak on a liner services, both Public Health and The Balfour services may be overwhelmed which could cause harm to public, staff and reputation. The tourist season brings a large influx of visitors, particularly when cruise ships carrying large numbers of passengers and crew dock in Orkney. Public Health and The Balfour services could become overwhelmed by an outbreak of infectious disease onboard a cruise liner which could cause harm to public, staff and reputation.	4	4	OIC/NHS Port Health Plan is in place with biennial review. Joint Port Health Exercise and Cruise Season Resumption meeting held annually at commencement of Cruise Liner season. MOU in place with NHS Grampian, Shetland, Highland & Western Isles. The learning from the COVID-19 pandemic and the mitigation put in place by cruise lines may reduce transmission of infectious diseases on board vessels.
Chief Executive	NHSO could experience significant issues regarding supply of stock/equipment/food and medicines leading to potential patient har	There is a risk that NHS Orkney will be unprepared and unable to respond appropriately from the 1st of January 2021 when the transition period ends and we officially exit from the EU. There could be adverse consequences for staffing levels, availability of consumables, supplies and medicines. NHSO could experience significant issues regarding supply of stock equipment food and medicines leading to potential patient har As a result of the UK leaving the EU there is a risk to the continuation of supplies of stock, equipment food and medicines, which could impact upon our ability to deliver service and lead to potential patient harm.	9	6	Brexit assessment has been completed Brexit Steering Group Monthly report to SMT 6/21 Ongoing general monitoring of situation as Brexit date passed
Director of Nursing, Midwifery, AHPs and Acute Services	Non compliance with Health and Care (Staffing) (Scotland) Act	There is a risk that the general principles & duties set out in the Health & Care (Staffing) (Scotland) Act 2019 will not be met as a result of incomplete systems, processes & clinical structure(s) which leads to non-compliance with legislation and may impact on patient safety, quality and experience. In context of such a range of professional disciplines as necessary to meet the general principles & duties as set out in the HCSA.	15	9	<ul style="list-style-type: none"> •Executive Lead – DoNMAHP/Acute Services •Professional Leads: <ul style="list-style-type: none"> Director Nursing, Midwifery and AHP Medical Director Clinical Director Dental Services Director of Pharmacy •Executive & Senior Management Team meetings; whole System Group; Area Clinical Forum; NAMAC; TRADAC •Joint Clinical Care & Governance, & Staff Governance framework; 6 monthly update report •General Management Structure within Community •Policies / Procedures / Guidelines oHealth & Care (Staffing) (Scotland) Act 2019: Guidance Summaries dated 17 Aug 21 •RMP4: Health & Care Staffing Delivery Plan created 28 Sep 21 •SG / HSP Board Self-assessment Report / Quarterly reporting to SG •Healthcare Staffing Resources area on Blog > Clinical Governance > Healthcare Staffing •Departmental Generic healthcare staffing risk assessment on Blog > Clinical Governance > Risk > Departmental – Generic Risk Assessment

Corporate Risk					
Owner	Risk Title	Description	Risk level (current)	Risk level (Target)	Controls in place
Director of Finance	NHSO lacks adequate systems, safeguards & process which could result in data loss/system outage compromising patient care	<p>These is a risk that the inadequacy of current systems, safeguards and processes could result in significant data loss or system outage which would lead to comprised critical information or safe and effective patient care.</p> <p>This risk includes the potential impacts resulting from:</p> <p>Inadequate IT Disaster Recovery provision - Risk 17 A Failure to Safeguard information assets - Risk 227 & 361 Cyber security attacks - Risk 306 System security vulnerabilities Risk 343 & 344 Resilience and Management of Grampian Engagement</p>	16	8	Improvement plan being developed being led by SIRO. With oversight mechanisms in place for delivery.
Medical Director	Care and financial sustainability may be compromised should the current medical workforce model continue	NHS Orkney has an unsustainable medical workforce model including the use of high cost and transitory locums with limited assurance surrounding their practice. Care and financial sustainability may be compromised should this approach continue.	12	12	<p>To be updated with support from Executive lead</p> <p>Situation has been occurring for some time, so organisation has partly accepted risk</p> <p>6/2021 Use of regular locums where possible</p> <p>6/2021 Interviews held and Appointment of surgical staff</p> <p>6/2021 Interviews for medical consultant planned</p> <p>6/2021 Appropriate HR checks on any locums, and review of any incidents occurs in relation to quality of care</p>
Director of Finance	Corporate Finance Risk	<p>General funding uplift over estimated resulting in inability to implement planned commitments.</p> <p>Cost savings forecasts for major projects overestimated resulting in failure to achieve boards financial objectives (i.e. RFL) ability to meet cost of ongoing compliance with policy changes, statutory changes and updated guidance issued by SGHD.</p> <p>Inability to deliver against the boards capital programme (CPL) failure to deliver reoccurring financial balance.</p>	20	8	<p>General Funding Overspend, Recurring Financial Balance and Capital Programme - Remobilisation Plan which information is placed to ADP which goes to F&P for consideration and then to Board for ratification and approval and finally signed off by Scottish Government. Ongoing dialogue across organisation to ensure they deliver financial balance. Scottish Government is cited on various discussion through the F&P, Remobilisation and Capital Updates Report.</p> <p>Cost Savings - outlined in ADP and also outlined in F&P Report.</p> <p>The savings are discussed at the F&P Committee and Board with plans put in place to address the target. Discussed with each budget managers and regular dialogue with EMT.</p>
Chief Executive	Senior Leadership, Oversight, and Support	The leadership team at NHS Orkney is experiencing ongoing gap due to unplanned absence and transitioning from interim to permanent arrangements. This creates the risk that staff may not be clear of who to approach, where to seek line management support and therefore defer actions or decisions.	8	8	The EMT have communicated out to the small number of staff impacted by this who they are being managed by, further extensions are being put in place to interim arrangements to facilitate transfer to the permanent structures and the Board is in discussion with the Scottish Government about the current interim CEO position.

Corporate Risk

Owner	Risk Title	Description	Risk level (current)	Risk level (Target)	Controls in place
Director of Finance	Nefarious Applications, Operators or Agents	There is a risk that some/all data systems could be encrypted/data mined/erased resulting the deniability of access to all databases, backup servers and messaging systems resulting in NHS Orkney being unable to provide any form of clinical service and personal data being made available on the common market. All clinical services would be impacted with significant reduced ability to deliver any interventions. This will have an impact of accessing National systems and partners will be reluctant to allow Board access to their databases and networks due to fear to being targeted or contaminated. The ransomware encryption is often followed by a substantial financial request for encryption keys. In the event of data mining confidential financial details could be compromised putting the organisation at risk to fraudulent financial activities or an indirect attack to staff through personal and financial details.	9	8	Staff training and awareness. Lessons learned from other organisations and implementing controlled measures and spreading data storage. Meetings with managers around mitigations and measures in place. Air gap containers in a different security context. Scottish Government Playbook and National Centre of Cyber Excellence support.
Chief Executive	Failure to Respond Appropriately to COVID 19	There is a risk that population health may be impaired due to NHS Orkney inability to respond appropriately to COVID 19.	9	6	Mobilisation and Surge Plans in place to manage COVID 19 infection within community. Remobilisation planning undertaken to minimise the impact of the pandemic on access to services. Clinical prioritisation of access in place for elective care. Testing process in place and well established. Vaccination booster programmes scheduled for delivery in line with national guidance
Director of Public Health	Impact of NHS Service Provision on Climate Change and Sustainability	There is a risk that NHS Orkney may have a negative impact on people's health and the environment through the delivery of services should it not focus on climate change and sustainability.	12	8	Sustainability Steering Group established and low carbon transport adopted across NHS Orkney. Reduced off island and local travel through imbedding of Near Me. Reduced staff travel as result of working from home and the use of Microsoft Teams reducing off island travel.
Chief Executive	Failure to Meet Population Health Needs Resulting from Pandemic	There is a risk that NHS Orkneys approach to the provision of health care may not meet the changed needs of our island population which result from the COVID 19 pandemic.	12	8	Clinical Strategy being developed which will consider future population health need. IJB strategy group reviewed highlighted risk areas from IJB needs assessment Remobilisation and winter plan in place
Director of Finance	Data Security - Control of Access to Clinical & Non-Clinical Personal Data	There is a risk that Personal data could be at risk of un-necessary access, release, loss or deletion as a result of members of staff having security permissions that are no longer required due to transfer or termination, that allow them access to or edit records within manual and electronic systems that contain personal data, which may lead to regulatory (ICO) action, prosecution and reputational risk to the organisation.	15	4	IT Access request process Information Security Policy

Corporate Risk

Owner	Risk Title	Description	Risk level (current)	Risk level (Target)	Controls in place
Director of Nursing, Midwifery, AHPs and Acute Services	Failure to Meet Patients Specialist Healthcare Needs	There is a risk that the limitations of our remote and rural setting and rural general hospital facility may mean the health needs of those requiring more specialist care are not met.	12	8	Partnership arrangements in place with mainland Boards to ensure access to more specialist secondary and tertiary services. Visiting services provided for more widely used specialities to avoid the need for off island travel. Repatriation off clinical care when it is safe to do so. Good relationships and SOPs to support access to senior clinical decision makers off island as required eg Paediatrics.

6. Clinical Strategy

NHS Orkney's Clinical Strategy was approved by the Board in April 2022 and published internally and externally the following month. This followed a period of extensive consultation and engagement with our patients, the full spectrum of staff groups within NHS Orkney, our partners and our wider local community.

The Clinical Strategy sets out our aims regarding how our clinical teams and services will develop and grow in order to meet the needs of the people of Orkney over the next five years. The strategy builds on all of the feedback which was submitted as part of the community survey which took place in October 2021. It outlines the approach we will take to shape our services which will be driven by evidence, best practice, safety, and transparency. To achieve the aims, we will ensure that we support and develop our workforce, harness the power of technology and digital solutions and innovation, and undertake continuous quality improvement. The main aim of the strategy is that people in Orkney will have the chance to live longer and healthier lives. Within this, there are three aims around which our priorities and activities will be based. These are:

1. To improve the health of children and young people through service development, integration and re-design where necessary.
2. To improve mental health for the population of Orkney through prevention, self-help strategies and early intervention where required.
3. To address the increasing number of people living with long-term conditions by reducing the risk of developing long-term conditions and supporting people to remain healthy and independent for as long as possible.

Now our Clinical Strategy has been socialised and launched, we are developing a clear Delivery Plan in 2023/24 so that our progress can be tracked and measured. We will share 'how we are doing' at our public Board meetings on a quarterly basis, along with a quarterly update on 'how we are going' against our Corporate Plan for 2023/24 (Plan on a Page) which is aligned to our Clinical Strategy.

7. Annual Delivery Plan

The pandemic impacted on population health and wellbeing and widened the gap when it comes to health inequalities.

In 2022, we submitted an Annual Delivery Plan which included a series of principles and key objectives suited to the Stabilise and Improve Footing for NHS Scotland and summarised activities in Acute, Mental Health, Primary Care and Community, as well as Public Health Services, building on the previously submitted Remobilisation Plans which covered the period up until 31 March 2022. In line with the national framework, the Annual Delivery Plan was developed with the intention of delivering the priorities of:

- Staff Wellbeing
- Recruitment and Retention
- Recovering Planned Care
- Building Resilience and Recovery in Urgent and Unscheduled Care
- Supporting Social Care
- Sustainability and Value

8. Orkney Health and Care – Integration Joint Board

The Strategic Plan was approved by the Integration Joint Board in June 2022, covering the next three years.

The Integration Joint Board also approved a salary increase for the Care at Home Service in recognition of the increasing complexity of the role and to ensure that a career in care remains financially competitive with the leisure and retail sectors on the island. Orkney College continues to deliver a six-week introduction to a Career in Care course. The subscription rates continue to be high and approximately 60% of students who undertake the course have successfully secured employment in the care sector across statutory and third sector organisations. Whilst there are still significant vacancies across the care sector, these initiatives have been significant in bolstering the workforce and helping to minimise the requirement (and associated costs) for agency staff, which is a welcome step forward.

Despite the recruitment challenges in social care, and the continuing Covid outbreaks in the three Care Homes, the demands through the winter period were successfully managed via the whole system.

Like the rest of Scotland, the activity levels and overall demand on mental health services continues to grow. The overall referral rate across our services (Children's and Adolescent Services, Community Mental Health Team and Psychology) for the past three years is 816 (2020/21), 878 (2021/2020) and 947 (2022/23). These numbers represent almost double the rates of referral from 10 years ago.

Those most in crisis and assessed as requiring inpatient services has also increased in the corresponding period – 21(2020/21), 29 (2021/22) and 32 (2022/23).

Although the increase between 2021/22 and 2022/23 does not seem hugely significant, the length of time that people are having to be supported within the Mental Health Transfer Room at The Balfour Hospital, until they can be transferred to an appropriate inpatient bed, is increasing. The current model to support those in the Transfer Room requires the Community Psychiatric Nurses to provide 24/7 support until a transfer can be facilitated. This is currently impacting upon the delivery of community services.

In relation to adult community mental health provision, a new model of Transfer Room provision is under development and is a priority to receive the appropriate approvals by early Summer 2023, recognising the importance of improvements for our local community in this important area. A GP with Special Interest in the Dementia role is currently out to advert and it is envisaged that this will contribute to a reduction in the Older Adults waiting list.

In relation to Children's and Adolescent Services, the Scottish Government investment has been utilised to move from a team establishment of two to an establishment of 15 which is a further positive step forward. We have now filled 10 of these posts with interviews and adverts in motion for the others. It is envisaged that this will assist hugely in better managing the increasing demand. The Distress Brief Interventions Service, commissioned via Penumbra and Orkney Blide Trust, is now fully operational and has begun to support a number of individuals struggling with poor mental health.

A strategic partnership with the Open University has been established to create a Social Work sponsorship scheme. This is designed to support individuals with first

degrees in relevant disciplines, and appropriate experience, to complete their social work qualification. The first two individuals have begun their course, and both will be qualified within the next 18-24 months. The scheme will be progressed via cohorts over the next few years and is aimed at stabilising the workforce, improving the continuity of care and reducing the reliance on agency staff.

9. Financial Performance

NHS Orkney had a core revenue budget of £74.4m for the year. In 2022/23, following receipt of £4.1m non-recurrent national funding, the Board reported a £87K underspend for the year and balanced its books.

The Board delivered £3.248m of savings in 2022/23, with additional non-recurring savings of £4.14m from Scottish Government funding. The main areas of focus to realise savings were workforce processes, off-island service provision, clinical waste, energy efficiency, additional cost pressure funding.

Following receipt of additional cost pressure funding from the Scottish Government, the Integration Joint Board reported a break-even position for 2022/23. Additional financial support was given to support the unachieved savings target of £2.260m.

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	74,369	74,282	87
Non-Core Revenue Resource Limit	3,271	3,271	0
Core Capital Resource Limit	961	961	0
Non-Core Capital Resource Limit	53	53	0

Cash Requirement	80,928	80,928	0
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		£000
Memorandum of In Year Outturn	Core Revenue Resource Variance (Deficit)/ Surplus in 2022/23	87
	Financial Flexibility: Funding Banked with Scottish Government	(24)
	Underlying (Deficit)/ Surplus against Core Revenue Resource Limit	63
	Percentage	0.084%

A one-year financial plan was submitted to Scottish Government by NHS Orkney on 31 March 2022. Due to the impact of the pandemic, the Scottish Government paused the three-year Annual Operating and financial planning process. However, NHS Boards have taken steps to return to medium-term financial planning by preparing draft

three-year plans in 2022/23 that were shared with Scottish Government prior to return of formal three-year financial planning from 2023/24.

Excluding provision of financial flexibility provided by the Scottish Government, the Board's outturn would have been an underspend on RRL of £0.063m (equivalent to 0.084%). As this balance is within the one percent flexibility afforded by the three-year financial planning, this will be managed within an overall breakeven position in the period to 2024-25. NHS Orkney has submitted a five-year financial recovery plan for 2023/24-2027/28 in place to bring the Board back into financial balance on a sustainable basis.

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

Payment Policy

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

Measure of Better Payment	2022/23	2021/22
Paid by value – in 10 days	58%	64%
In 30 days	83%	89%
Credit taken	20 days	20 days
Paid by volume – in 10 days	64%	64%
In 30 days	84%	85%

**Payment performance remains an area under review and scrutiny, mechanisms are being put in place to further strengthen performance recognising we are still not where we need to be.*

Other Financial Disclosures

Pension Liabilities

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

Non-Profit Distributing (NPD) – The Balfour Hospital and Healthcare Facility

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

The total cost of the project estimated in the Full Business Case is £115m which is split into two elements: the prepayment for construction of the new build and the ongoing Annual Service Payment (ASP). NHS Orkney is required to support 50% of lifecycle maintenance costs and 100% of hard facilities maintenance costs, with the

Scottish Government supporting all other running costs. In 2022/23, the Scottish Government funded around 58% of the ASP payable in-year with NHS Orkney funding the remaining 42%.

Orkney Health Board Endowment Fund

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

The Orkney Health Board Endowment Fund's net assets of £0.989m represented by £0.878m unrestricted and £0.111m restricted funds (2021/22: £1.124m, £0.982m unrestricted and £0.142m restricted). The decrease in net assets of £1.135m (2021/22 £0.009m increase) relates to an in-year deficit on charitable activities of £0.061m (2021/22 £0.034m deficit) and a net loss on investments of £0.074m (2021/22 £0.043m gain).

Total income for the year was £0.044m (2021/22: £0.051m), £0.016m (2021/22: £0.019m) relating to donations and legacies and £0.028m relating to dividends and interest on investments (2021/21: £0.032m).

Total reported expenditure for the year was £0.105m (2021/22 £0.084m).

Integration Joint Board (IJB)

The IJB was 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 £37.568m (2021/22 £44.100m - [note 3](#)) and income of £40.723m (2021/22 £40.745m - [note 4](#)). The expenditure is included in [note 3](#) and income in [note 4](#) and analysed below. The decrease in income and expenditure is mainly due a reduction in funding related to the pandemic and the transfer of Maternity Services back to the Board. Of the £37.568m expenditure in year £1.145m (2021/22 £5.579m) relates to additional costs for Covid-19 for Health Board delegated services while £1.2m of costs relates to Maternity Services were reported against the Board in 2022/23 (£1.106m in 2021/22 reported against the IJB). Costs incurred as a result of the pandemic include the Community Hub (Covid Assessment Centre), additional staffing costs to maintain capacity and remobilise services and additional accommodation costs. There is earmarked Covid funding of £0.069m carried forward to 2023/24.

There has been substantial additional investment from Scottish Government in relation to specific workstreams such as the Mental Health Recovery and Renewal Fund and Primary Care Improvement Plan which will see further investment in services commissioned.

There were earmarked funding allocations received in-year which were unutilised at year-end, and therefore have been carried forward to the following financial year, £2.524m of earmarked funding will be carried forward to 2023/24.

NHS Orkney has 50% share of funds held in reserve by the IJB as a joint venture. This is reflected in the [Consolidated Statement of Financial position](#) of £1.262m.

	2021/22			2022/23		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
IJB	35,017	35,017	0	27,204	27,204	0
Set Aside	9,083	9,083	0	10,364	10,364	0
Total	44,100	44,100	0	37,568	37,568	0

The set aside is a notional budget for delegated hospital service functions and calculated on the basis that the use of underlying resources is within the remit of the IJB's commissioning decision, predominantly within the acute services.

There is a draft three-year medium-term financial plan which was approved by the IJB in June 2022. This plan outlines the financial challenges and opportunities the Orkney Integration Joint Board (IJB) and the associated delivery of services through the Orkney Health and Social Care Partnership (OHAC) faces over the next three-years and provides a framework which will support OHAC to remain financially sustainable. It also complements the Strategic Plan, highlighting how the partnership's financial planning principles will support the delivery of OHAC's strategic objectives and priorities for the years 2022-2025. During the year, the IJB was set a savings target of £2.4m of which there were no recurrent savings delivered in 2022/23.

Although no additional recurrent savings targets have been set for the IJB in 2023/24, the IJB is expected to deliver, as a minimum, £2.4 million of the unachieved recurring savings for NHS Orkney commissioned services over the next five- years, commencing in 2023/24.

The Orkney Health and Care Team is working with NHS Orkney's Financial Sustainability Office to develop and deliver the savings over the next few years. This work will identify key dates for delivery of the savings plans and is focused on areas such as models of care, pharmacy and primary care provision.

Covid-19

NHS Orkney continued to have significant additional spend during 2022/23 as a result of the pandemic. The Board received additional funding from the Scottish Government to cover Covid-19 cost pressures in the year. Funding received in-year is broken down as follows:

COVID-19 Impact	2022/23	2021/22
	£000s	£000s
Gross COVID-19 Additional Costs – Health Board	1,685	3,435
Gross COVID-19 Additional Costs - Health & Social Care Partnership	1,595	4,450
Unachieved Savings – Health Board	0	2,605
Unachieved Savings – Health & Social Care Partnership (Health Board functions)	0	1,800
Offsetting Cost Reductions – Health Board	0	(540)
IJB Covid Reserve Brought Forward	(2,364)	0
Net COVID-19 impact on RRL	916	11,749

Additional Health Board expenditure in-year was incurred in relation to the pandemic, with the most significant areas of spend including additional hospital bed capacity, Covid-19 screening and testing for virus, test and protect, cleaning costs, Personal Protective Equipment (PPE), the vaccine programme delivery costs and remobilisation costs. This also includes £0.450m passed to the Local Authority for their Covid expenditure.

Efficiency Savings Target

The financial planning process for 2022/23 highlighted a financial gap of £6.9m for the year. Of this, the Board anticipated delivery of £4.9m savings in the year and a forecast outturn of £2.0m overspend for 2022/23.

Throughout the year, the Financial Sustainability Office supported the delivery of £3.4m of savings. There were, however, significant challenges faced with some of the anticipated savings schemes, in particular, progress with the implementation of a sustainable medical model and the anticipated delivery of savings from the IJB. Additional cost pressure funding from the Scottish Government in year allowed the savings target for 2022/23 to be fully achieved.

Looking to 2023/24

We go into 2023/24 with a financial gap of £6.790m (11% of baseline budget).

£1.5m recurrent savings (with 80% already identified) are made up of directorate specific cash releasing efficiency savings (CRES) targets against non-pay underspends and financial flexibility within reserves and uplifts. In addition, there are £2.2m of non-recurrent savings to be identified.

Main areas of focus for NHSO are:

- Grip and control
- Organisational ownership
- Reducing high cost locum and agency spend by converting to substantive posts wherever possible (a sustainable medical model is needed) – 2022/23 £4.5m agency and £1.5m locum spend)

- Accommodation shortages in Orkney – premium rental rates and lack of housing for key workers impacts adversely on recruiting and attracting staff (£400K spend on accommodation in 2022/23)
- Challenges of receiving NRAC share of funding and ability to utilise meaningfully – small allocations can limit what the Board can achieve

£0.465m recurrent savings of brought forward IJB unachieved target (£2.4m) is to be delivered in 2023/24. A clear commissioning plan from the IJB which sets out the key priorities and recovery plan is also needed.

10. Fraud, Bribery and Corruption

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

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

11. Social Matters

Equality, Diversity and Inclusion (EDI)

NHS Orkney actively seeks to adopt best practice in relation to Equality, Diversity and Inclusion in employment as well as ensuring that it provides services which meet the needs of its diverse population. Our aim is to be an inclusive employer. The Board continues to work with partner agencies in developing initiatives which promote inclusiveness as part of its wider social responsibility remit.

In line with its legal responsibility, the Board published its Workforce Monitoring Report in July 2022. The main area highlighted within the report for review was around shortlisting numbers from applicants with an ethnic minority background. Following an HR audit we are content that the Board conforms to good practice and will continue to review and monitor.

In year, we have supported a number of staff to undertake development relating to social issues. Examples of this are:

- 428 individuals completed the Equality, Diversity and Human Rights module
- 705 individuals completed the Violence and Aggression module
- 582 individuals completing Violence and Aggression face-to-face training
- 313 individuals completed the Adult Support and Protection module
- 296 individuals completed the Child Protection Level 1
- 34 NHS Orkney colleagues attended Equality and Diversity Training and at a level appropriate to their role in the organisation via Microsoft Teams. This training is delivered via a service level agreement between NHS Grampian and NHS Orkney.

Workforce and the Integrated Workforce Plan

NHS Orkney has 762 members of staff (excluding bank). This has significant economic and social impacts and benefits to a small community as a major employer and anchor institution. We seek to continuously improve the experience of our staff at work. As part of our work to improve organisational culture, we established a Staff Engagement and Experience Programme where actions were progressed as part of Staff Governance and this work is ongoing. We continue to seek to improve and progress our annual iMatter employee engagement activities and scores, recognising we have some way to go, and to ensure we create a culture where staff feel valued, supported and listened to. We issued our survey across the Health and Social Care functions to ensure inclusivity for all colleagues (regardless of where employed). Last year (2022) our percentage of staff completing the survey was down 7%, with a 58% response rate, however, the number of staff completing the survey had risen to 951 respondents from 571 respondents in 2021. Our Engagement Index Score was 72, up from 70 the previous year (2021) and across all the domains our scores increased (improved) in 2022 from 2021. In 2021, we had six areas highlighted to Monitor to further improve and one Improve to Monitor. In 2022, we had four areas highlighted to Monitor to improve and none in the Improve to Monitor. In 2022, we had four areas highlighted to Monitor to improve and none in the Improve to Monitor. Our score for staff recommending NHS Orkney as a good place to work was 69 and 73 for staff being happy for their friend/relative to be cared for here, both of which had improved from 2021.

The overall experience of staff working at NHS Orkney was increased to 6.4 compared to 6.2 in 2021.

Areas our staff wanted to see improvement included: improved Board visibility, staff feeling more involved in decision-making, and the organisation caring about staff health and wellbeing, all of which remain areas of focus as we go into 2023/24 so we can see the required improvement and further improve the experience of working at NHS Orkney.

In preparation for this year's survey, we have engaged with staff and managers across the health and care landscape, created champions and campaigns to promote and enable. We will also undertake pulse surveys during the year and create opportunities to be listened to, heard and share feedback, and the outputs of these will be progressed via the refreshed Staff Governance Action Plan which is overseen by the Staff Governance Committee.

Sustainable workforce planning and development requires us to identify and cultivate new talent pools, and to think about not only the 'what' we need to deliver as services but how we can deliver those services and the use of digital solutions to support this.

NHS Orkney published its three-year Workforce Plan following the publication of the Scottish Government's National Health and Social Care Workforce Strategy under the five pillars: Plan, Attract, Train, Employ, and Nurture. The plan details activities to be taken forward over the next three-five years to meet both short-term recovery and medium-term growth.

What is clear from the plan is that the ask is currently not achievable either from a people supply and demand perspective or from a financial perspective. As we move forward with the implementation and embedding of the Clinical Strategy this will enable us to further understand the levels, types and locations of staff that we need to attract and develop over the next five years and creates an exciting backdrop for workforce planning.

We continue to support volunteers, with 23 active volunteers in the organisation, 12 Breastfeeding Supporters and 11 Spiritual Care Volunteers, all of whom are valued and vital members of Team Orkney. In supporting the young workforce, we promote modern apprenticeships of which we currently have two colleagues. We are supporting internal colleagues in their future academic endeavours through nine graduate apprenticeships.

We have over the year, in line Government policy directives, supported both retire and return colleagues (nine) to the organisation and international recruitment where we have recruited three nurses and one AHP.

As part of the Workforce Monitoring Report (presented as a standing agenda item to Area Partnership Forum and Staff Governance Committee) we will continue to review activity in relation to compliance of statutory and mandatory training, appraisal and induction, attendance, use of supplementary staffing, contract variations, employee relations and equality, diversity and inclusion. Development and improvements in these areas will be part of Staff Governance Committee oversight.

12. Sustainability and the Environment

The Climate Change (Scotland) Act 2009 originally set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. The Climate Change (Emissions Reductions Targets) (Scotland) Act 2019 amended this longer-term target to net-zero by 2045, five years in advance of the rest of the UK. In 2020 'The Climate Change (Scotland) Amendment order came into force to reflect this and now requires NHS Boards to report on their progress in delivering their emissions reduction targets.

All designated Major Players (of which NHS Orkney is one) are required to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act and the Amendment order. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

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

The Balfour Hospital and healthcare facility is fully electric with air-to-water heat pumps generating all hot water and heating and has solar panels to reduce reliance on the grid. A dual process air to water/water to water heat pump solution works in conjunction with a back-up high efficiency oil boiler for resilience in the event of the loss of a heat pump system. Recognition of the low carbon technology for the air-to-water heat pumps at The Balfour resulted in a successful application of the Renewable Heat Incentive from the Government. This provides NHS Orkney with annual financial incentives for a 20-year period.

To reduce the amount of waste that Orkney produces and sends off-island we applied for a grant of £536,400 to the Scottish Government to purchase our own Clinical Waste Treatment Unit. This enables us to compact and sterilise our clinical waste and has reduced our carbon footprint for waste by around 80% as well as financial savings and increased resilience.

We have developed an unused area of greenspace into an area for three large polytunnels. These are for patients, staff and the wider Orkney community. The

polytunnels are made of recycled materials and solar powered with natural rainwater collection and are fully wheelchair accessible. Funding of £58,280 was received from NHS Orkney Endowment Fund and £50,000 from the Green Exercise Partnership – totalling £108,280 for the build of the polytunnels. An additional £40,000 funding was received from the Scottish Government’s Realistic Medicine Value Improvement Fund.

We have also recently been successful in a bid for funding of just under £3,986,750 awarded by the Scottish Government to decarbonise the rest of its estate. This will allow the Board to expand this work to NHS buildings out with The Balfour. In line with Government policy, we will remove fossil fuels and install alternative renewable energy systems, such as heat pumps, solar panels, and wind turbines. These works will be completed by March 2025.

There has also been further work in 2022/23 towards the removal of all diesel and petrol cars from our fleet with a replacement programme of electric vehicles.

NHS Orkney’s climate change action plan is led by the Sustainability Steering Group, the action plan sets out clear targets in line with Scottish Government policy.

Signed

Date 24 August 2023

Laura Skaife-Knight
Chief Executive

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 March 2023.

1. Naming convention

NHS Orkney is the common name for Orkney Health Board.

2. Date of Issue

The Accountable Officer authorised these financial statements for issue on 24 August 2023.

3. Going Concern

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis are included in Note 1 of the accounts on page 56.

4. Accounting Convention

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

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, and available for sale financial assets. The accounts have been prepared under a direction issued by Scottish Ministers, which is reproduced on pages 95 and 96 of these accounts. The statement of the accounting policies which have been adopted, is shown at Note 1 to the Accounts of page 56.

5. Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Rashpal Khangura, Audit Director, KPMG LLP (UK) 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.

6. Role of the Board

Orkney Health Board (NHS Orkney) was established in 1974 under the National Health Service (Scotland) Act 1972 and is responsible for providing health care services for the residents of Orkney, with a growing population of approximately 22,000. NHS Orkney's purpose is to optimise:

- Health;
- Care; and
- Cost.

NHS Orkney is responsible for improving the health of the local population and delivering the healthcare they require. The Board, having approved its strategy 'Our Orkney, Our Health – Transforming Services Strategy', set out that more of the same is not an option. The time to change has never been as important to NHS Orkney as we adopt and spread the language and practice of improvement, transformation and innovation as part of everyday culture.

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

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

7. Board membership

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

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

Chair and Vice Chair		
Meghan McEwen	Chair	
David Campbell	Vice Chair	
Non-Executive Directors		
Des Creasey	Non-Executive Board member	
Caroline Evans	Non-Executive Board member	Until 31 August 2022
Isobel Grieve	Non-Executive Board member	
Steven Johnston	Area Clinical Forum Chair	
Steven Heddle	Local Authority Representative	From 19 May 2022
Joanna Kenny	Non-Executive Board member	
Martha Gill	Employee Director	Until 5 January 2023
Rona Gold	Non-Executive Board member	From 1 September 2022
Ryan McLaughlin	Employee Director	From 1 February 2023
James Stockan	Local Authority Representative	Until 30 April 2022

Jason Taylor	Non-Executive Board member	
Executive Directors		
Michael Dickson	Interim Chief Executive	
Mark Doyle	Director of Finance	
Mark Henry	Medical Director	
Samantha Thomas	Director of Nursing, Midwifery and Allied Health Professions and Acute Services	From 9 January 2023
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.

Due to a number of Executive Director vacancies and long term absences in 2022/23 a number of interim cover arrangements were made to ensure that portfolios were managed and engagement and attendance at essential meetings, including Board and Governance Committees, maintained. These included Sara Lewis, Acting Director of Public Health; Monique Sterrenburg, Interim Deputy Medical Director and Mary Moore, Interim Director of Nursing, Midwifery and AHPs. Lorraine Hall continued to cover the Interim Director of Human Resources role.

8. Board members' interests

The Register of Interests of Board Members is available to members of the public to view on the NHS Orkney Website at the following link [NHS Orkney Register of Interests | NHS Orkney \(scot.nhs.uk\)](https://www.nhs.uk/our-services/our-people/our-board-and-governance/register-of-interests). The Board Members have declared in the register of interests any potential business or other relationship, which they felt could influence, or could be seen to influence, the exercise of their judgement as required by IAS 24.

9. Disclosure of information to Auditor

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

10. Remuneration for non-audit work

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

11. Public Services Reform (Scotland) Act 2010

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

12. Personal Data Related Incidents

NHS Orkney formally reported personal data related incidents to the Information Commissioners Office (ICO) on eighteen occasions during 2022/23 (2021/22 eleven). All of these incidents, and those relating to prior years, are now closed. Recommendations were made and acted upon, no enforcement actions or penalties were applied by the ICO.

In 2022/23, NHS Orkney took part in a consensual audit with the ICO, the audit scope area was Governance and Accountability/Data Sharing the ICO gave an overall assurance rating of High. NHS Orkney continues to increase the awareness of good Information Governance practices. The number of incidents reported represents an increased focus by the organisation to identify and learn from data incidents.

13. Financial Instruments

Information in respect of the financial risk management objectives and policies of the Board and the exposure of the Board to price risk, credit risk and cash flow risk is disclosed in Note 20.

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 2023 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

THE STATEMENT OF ACCOUNTABLE OFFICERS' RESPONSIBILITIES

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

This designation carries with it, responsibility for:

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

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

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

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

I am responsible for ensuring proper records are maintained and that the accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officer’s letter to me of 13 January 2023.

GOVERNANCE STATEMENT

1. Strategic Vision, Themes and Values

The Board is committed to working with our staff and partners to improve the health of the residents of Orkney. The Clinical Strategy has been developed in line with our strategic vision and values and will be followed in 2024 with an aligned, and new long-term Corporate Plan setting out our longer-term aspirations and plans. It is anticipated that NHS Orkney’s strategic vision will be refreshed and updated as part of this process. Our current strategic vision is to:

‘Be the best remote and rural care provider in the UK’

Our values remain:



These values are used to inform all decision-making processes which are supported by engagement with the full range of stakeholders.

2. Assurance Framework

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

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

All Board members are Trustees of NHS Orkney Endowment Fund and are accountable in law for the discharge of the key duties of a charity Trustee as described in Section 66 of the Charities and Trustee Investment (Scotland) Act 2005.

Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 the Health Board and Local Authority delegate the responsibility for the strategic planning and deliver of adult health and social care services to the Integrated Joint Board. The delegation of services is governed by an integration scheme agreed by both partners. Executive and Non-Executive members of Orkney Health Board are appointed, to represent the Board, as voting members on the IJB. The voting membership, and therefore the exercise of control over each IJB is shared equally between Orkney Health Board and Orkney Islands Council. The Board's performance management arrangements reflect those services delegated to the IJBs and the Chief Officer of the IJB attends each meeting of the Orkney Health Board and the Board's key Governance Committees as required.

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 Committee

The Finance and Performance Committee is responsible for reviewing the financial and non-financial targets of NHS Orkney, to:

- Ensure that appropriate arrangements are in place to deliver against the organisational performance measures
- Secure economy, efficiency, and effectiveness in the use of all resources
- Provide assurance that the arrangements are working effectively
- Provide cross committee assurance to the Integrated Joint Board in relation to performance on delegated functions

Membership: David Campbell (Chair), Des Creasey (Vice Chair), Michael Dickson, Mark Doyle, Steven Johnston and Steven Heddle (from 19 May 2022).

Remuneration Committee

The Remuneration Committee is responsible for reviewing the objectives and performance of Executives and Senior Management cohorts and ensuring the application and implementation of fair and equitable pay systems on behalf of the Board as determined by Ministers and the Scottish Government.

Membership: Meghan McEwen (Chair), Steven Heddle (Vice Chair) (from 19 May 2022), David Campbell, Martha Gill (until 5 January 2023) and Ryan McLaughlin (from 1 February 2023).

Joint Clinical and Care Governance Committee

The Joint Clinical and Care Governance Committee is responsible for:

- Providing the Board with the assurance that robust clinical governance controls and management systems are in place and effective, in relation to delegated and non-delegated services it delivers
- Provided the Integration Joint Board with assurance that robust clinical and care governance controls and management systems are in place and effective for the functions that NHS Orkney and Orkney Islands Council (OIC) have delegated to it
- Ensuring that the requirements set out in MEL (1998)75, MEL (2000)29 and HDL (2001)74 around the guidance on the implementation of Clinical Governance in the NHS in Scotland are in place

Membership: Steven Johnston (Chair), Joanna Kenny (Vice Chair – NHS Orkney) (until 30 April 2022), Meghan McEwen (Vice Chair – NHS Orkney) (from 1 April 2022), Rachael King (Vice Chair – Integration Joint Board), Gill Anderson (Third Sector Representative) (until 4 October 2022), Rona Gold (from 1 November 2022), John Richards (Elected OIC member) (until 5 April 2022), Steve Sankey (Elected OIC member) (until 5 April 2022), Jean Stevenson (Elected OIC member) (from 5 July 2022) and Ivan Taylor (Director of Public Health (from 5 July 2022)).

Staff Governance Committee

The Staff Governance Committee is responsible for:

- Ensuring scrutiny of performance against the individual elements of the Staff Governance Standards
- Ensuring effective workforce planning arrangements are in place
- Reviewing and signing off data collected during annual Staff Governance monitoring
- Reviewing and monitoring Staff Experience Engagement Index Data and improvement plans
- Seeking assurance from data and information provided in reports to the Committee

Membership: Joanna Kenny (Chair), Martha Gill (Vice Chair) (until 5 January 2023), Des Creasey, Caroline Evans (until 31 August 2022), Jason Taylor, Michael Dickson, Lorraine Hall, Kate Smith (Partnership Representative), and Ryan McLaughlin (Partnership Representative/ Vice Chair) (Vice Chair from 1 February 2023), Bob Walker (Partnership Representative).

Audit and Risk Committee

The Audit and Risk Committee is responsible for supporting the Board in its responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge. The Audit and Risk Committee has a dual role of:

- An audit function – ensuring that the organisation operates effectively and meets statutory objectives
- A risk assurance function – ensuring that adequate structures are in place to undertake activities which underpin effective risk management

Membership: Jason Taylor (Chair), Issy Grieve (Vice Chair), Martha Gill (until 5 January 2023), Steven Heddle (from 19 May 2022), Ryan McLaughlin (from 1 February 2023)

Responsibilities of Members of the Board

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

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

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

Board members must comply with the Code of Corporate Governance and the Endowment Charter, including the Code of Conduct, along with the Standing Financial Instructions. These Standing Orders for regulation of the conduct and proceedings of Orkney NHS Board, and its Committees are made under the terms of The Health Boards (Membership and Procedure) (Scotland) Regulations 2001 (2001 No. 302), as amended up to and including The Health Boards (Membership and Procedure) (Scotland) Amendment Regulations 2016 (2016 No. 3).

The Non-Executive members provide constructive scrutiny and challenge, and this is evidenced in minutes of meetings.

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 and thematic areas as identified by the Plan on a Page.

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

3. Scope of Responsibility

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

4. Board Governance Arrangements

NHS Orkney complies with the requirements as set out in the Scottish Public Finance Manual (SPFM). To ensure adherence to the requirements of the SPFM, in 2022/23, the following governance arrangements have been in place:

- A Board which meets regularly to discharge its governance responsibilities, set the strategic direction for the organisation and approve decisions in line with the Scheme of Delegation. The Board comprises the Executive Directors and Non-Executive members. The Board activity is open to public scrutiny with minutes of meetings publicly available;
- The Board receives regular reports on Healthcare Associated Infection, Prevent and Control;
- Scheme of Delegation, Standing Orders and Standing Financial Instructions approved by the Board are subject to regular review to assess whether they are relevant and fully reflective of both best practice and mandatory requirements;
- Organisation wide risk management arrangements built on localised risk registers and processes which ensure, as appropriate, escalation of significant instances of non-compliance with applicable laws and regulations;
- The Board receives regular updates on key statutory compliance functions including Information Governance, Health and Safety, fire and asbestos from appointed staff who are tasked with ensuring they are up to date with all relevant legislation and are responsible for co-ordinating management action in these areas;
- A focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements;
- The Board receives regular reports for consideration from the chairs of the Finance and Performance, Staff Governance, Joint Clinical and Care Governance, Audit and Risk Committees' and from the Chair of the Endowment Fund which highlight key issues raised;
- The governance committees are supported by a designated lead Executive Director who has the delegated management accountability for statutory and regulatory matters;
- Regular review of financial performance, risk management arrangements and non-financial performance against key service measures and standards by the Finance and Performance Committee;
- Regular review of workforce arrangements and implementation of the NHS Scotland Staff Governance standards by the Staff Governance Committee;
- Regular review of service quality against recognised professional clinical standards by the Clinical and Care Governance Committee;
- An active Area Partnership Forum with an Employee Director who is a member of the Board;
- Regular review of Capital priorities for investment against the agreed plan;
- Clear allocation of responsibilities to ensure we review and develop our organisational arrangements and services in line with national standards and guidance;
- Promotion of effective cross sector governance arrangements through participation by IJB Board members and the Chief Executive at IJB committee meetings and performance review meetings with the IJB Chief Officer to further develop and drive improvement through integrated service delivery;
- A patient feedback service to record and investigate complaints, and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches; and

- Separate governance arrangements for the Orkney Health Board Endowment Fund which includes an Endowment Sub Committee of Trustees with delegated authority to manage the day to day operational matters of the charity.

5. Purpose of the System of Internal Control

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing the organisation. The system aims to evaluate the nature and extent of risks, and manage risks efficiently, effectively and economically, and is designed to manage rather than eliminate the risk of failure to achieve the Board's aims and objectives. As such, it can only provide reasonable and not absolute assurance. The process is consistent with the SPFM and supplementary NHS guidance, and has been in place for the year up to the date of approval of the annual report and accounts.

The Scottish Ministers issue the SPFM to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds, and it can be accessed via the following link:

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

6. Data Quality

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

7. Risk Management Arrangements

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

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

NHS Orkney acknowledges that the systematic and effective implementation of risk management is best practice at a corporate and strategic level as well as a means of improving the quality and safety of operational activities. As Chief Executive I ensure there is suitable review and management of corporate risks and that all significant risk management concerns are prioritised, considered and communicated to our Governance Committees and the Board on a regular basis. This is supported by an established assurance framework which is used by each of the core governance committees to identify and seek assurance regarding mitigating actions for risks that fall within their remit.

NHS Orkney's Risk Management Strategy and Policy includes the articulation and management of risk through a three-tier risk register structure which has been

developed for our risk management approach to ensure it is well embedded and provides clear routes for escalation and de-escalation of risk as well as ensuring risk is an integral part of organisation wide decision making.

Risk is considered in the context of the national Quality of Care framework and thus aligns with the Board's approach to clinical governance and patient safety. There is regular comprehensive and organisation wide review of our risks and ongoing development of the risk management arrangements at an operational level.

At present, there are three very high risk on the Board's risk register relating to corporate finance, workforce capacity and resilience and High Dependency Unit (HDU) capacity. The Board's exposure in high risks includes several areas which pose a threat to the delivery of services and patient care. This includes risks covering IT and technology, workforce, and ability to meet population health needs with management plans in place to bring risk exposure down to the identified tolerable level.

8. Internal Control Matters

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

In the period covering the year to 31 March 2023 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's governance arrangements and to provide additional assurance over the system of internal control and the key risks identified in the strategic risk register on pages 9 to 12 above.

7.1 Board Development and Governance

7.1.1 Covid-19 Pandemic

Following the declaration of Covid-19 as a worldwide pandemic in March 2020 the Board implemented our emergency planning arrangements. In line with Scottish Government guidance, the Board agreed revised governance arrangements for the duration of the Covid-19 response and recovery period, reviewing these on a regular basis to ensure that a return to established governance could take place whenever appropriate.

7.1.1 a) Board and Board Sub Committees

- All meetings of the Board and Governance Committees continued to be held virtually via MS Teams during 2022/23, this will continue to be reviewed moving forward with a trial of a hybrid approach to meetings.
- All Board minutes and meeting papers continue to be made publicly available on the Board's website and contact details provided for members of the public to attend Board meetings virtually if required.
- The Board engaged with local media to inform the public about matters discussed and agreed to maintain important links with the public and community. Local media were virtually invited to all public meetings of the Board.
- The Interim Chief Executive has had regular contact with the public through Facebook live feed which provides updates and allows the public opportunities to interact and ask questions.

- Board agendas reverted to the standard governance format, with additional assurance provided around the Covid-19 response and recovery, especially in Public Health reporting as appropriate, and the inclusion of vaccination uptake rates.

7.1.1 b) Performance Governance

- The senior finance team continued to adjust workload priorities to ensure provision of advice and support to enable management to operate within appropriate financial framework and to ensure that additional Covid-19 expenditure was only incurred where necessary and essential to the Board's Covid-19 response.

7.1.1 c) System Leadership

- The Board has supported the focus of efforts on a smaller set of priority areas, in light of the unprecedented demands and unique set of circumstances that the pandemic has brought and the need to focus resources and efforts in these areas. The Area Partnership Forum approved the Plan on a Page 2023/24 which articulate these areas, the reasons for them and the supportive actions under each priority.
- Governance arrangements continue to be reviewed regularly to ensure they remain fit for purpose and support effective decision making, whilst continuing to recognise and appreciate workforce capacity and resources; this balanced and pragmatic approach will continue throughout the coming year.
- As with other Boards in Scotland NHS Orkney has put in place the necessary structures and processes to facilitate operation of the National Whistleblowing Standards and regular reporting through the Joint Clinical and Care Governance Committee and onwards to the Independent National Whistleblowing Officer continues as required. With an Annual Report and assurance from the Whistleblowing Champion being provided at the June 2022 meeting of the Board.

7.1.2 Other matters affecting Board Development and Governance

- The Board and the Audit and Risk Committee continue to review regular updates on progress against the following identified areas for improvement - Risk Management, Information Governance, Joint Clinical and Staff Governance.
- All Board Executive and Non-Executive Directors have formal annual appraisals, a key element of which is identification of the personal development requirements of each individual for the following 12-months.
- NHS Board Executive and Non-Executive members have participated in development sessions during the year, consistent with the Board's commitment for continuous improvement and assessment of our performance.
- The Board held a development session around Climate Change, sustainability and Governance and strengthened reporting arrangements on this area through the governance structure. This includes regular reporting from the Sustainability Steering Group to the Finance and Performance Committee and the appointment of a Non-Executive Sustainability Champion.
- The Board commenced an 18-month project with the Royal College of Physicians Edinburgh (RCPE) in January 2023, focusing on the development of a whole health assurance framework.

- The Board adopted the section edition of the Blueprint for Good Governance, as issued in December 2022. The second edition places more emphasis on delivery mechanisms and the need to apply a continuous improvement approach to healthcare governance arrangements.
- The Chair of NHS Orkney meets regularly with Non-Executive members to ensure they are kept up to date with current developments and allows opportunities for discussion.
- The Board have delegated responsibility for monitoring implementation of key strategic plans, to the Finance and Performance Committee.
- Continuation of arrangements for the Board's corporate register of interests including regular reminders to all staff on the process.

7.2 Quality and Safety

The Joint Clinical and Care Governance Committee (JCCGC) has a number of functions that serve both the NHS Board and the Integrated Joint Board. In regard to NHS Orkney, it provides assurance in respect of clinical quality and patient safety, effectiveness and experience through application of robust performance monitoring and reporting.

The Quality Forum is responsible for providing the assurance to the JCCGC. The Chair and/ or Vice Chair of JCCGC have an open invitation to observe the working of the forum. The Quality Forum brings together clinicians from across the range of healthcare services to provide a structure for clinical and professional discussion, advice, leadership and development for all matters relating to the quality and safety of care provided. The overarching aim of the Forum is to eliminate preventable deaths, seek out and reduce harm, improve patient outcomes and demonstrate delivery of high-quality, reliable care based on what matters most to patients, families and their carers.

During 2022/23, the Quality Forum maintained a high level of engagement and participation despite substantial operational pressures and dealt with 88 items of business. Key amongst these items were:

- Creating a monthly 'Spotlight Session' for learning and sharing improvement/service development achievements and challenges allowing shared learning opportunities directly from clinicians and teams
- Maintaining a high level of engagement and participation despite substantial operational pressures, gaps in key leadership positions and significant staff turnover
- Randomised Coffee Trials were appreciated and supported clinicians to get know people that they may not usually connect with meet and learn more about them and their area of work
- Considering and sharing learning obtained from Incidents, Significant Adverse Event Reviews (SAER) and Scottish National Audit Programme (SNAP)
- Developing and reviewing oversight of performance in relation to reported incidents and Serious Adverse Events
- Maintaining oversight of performance in relation to complaints and feedback
- Promotion of the importance of using data for improvement and the added importance of understanding the 'story' behind and surrounding the data specifically when dealing with small numbers.

In addition, arrangements for the implementation of the Health and Care (Staffing) (Scotland) Act 2019 have been progressed and overseen by JCCGC. This Act is primarily focused on ensuring that we are resourced to deliver safe and effective care.

Looking ahead, NHS Orkney's new Clinical Strategy is underpinned by a commitment to continuous improvement and creating a learning culture and provides a framework against which activity can be prioritised.

7.3 Compliance

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

- Internal Audit - IJB Year End Adjustments – Joint Report
- Internal Audit Report - Procurement Arrangements
- Regular updates received from the Information Governance Committee with actions to date and any items agreed be progressed to the Audit and Risk Committee for consideration and in some instances for further discussion at the Board
- Risk and assurance reporting across NHS Orkney
- Business Continuity Plans reviewed and updated
- Internal Audit Report – Joint Working Arrangements – control framework in relation to joint working arrangements with key partners
- Internal Audit Report – Safeguarding: Adult Support and Protection
- Internal Audit Report – Clinical Governance – development and related governance of the new clinical strategy and the impact on development of appropriately robust operational plans
- Counter Fraud Services and Counter Fraud Standard updates

7.4 Involvement and Engagement

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

8. Best Value

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

9. Review of Adequacy and Effectiveness

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

- the Executive Directors, who have a responsibility for development and maintenance of the internal control framework, and their subsidiary report on governance;

- The Board's membership has been refreshed. The Board has throughout the year refreshed its membership of Committees;
- The work of the internal auditors, who submit regular reports to the Audit and Risk Committee which include their independent and objective opinion on the adequacy and effectiveness of the organisation's system of control together with recommendations for improvement;
- Comments made by external auditors in their management letters and reports;
- Financial plans, service plans and related organisational performance and risk management reports presented to the Board and relevant governance committees
- Statements of Assurance from the assurance Committees;
- Annual reports from assurance Committees.

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

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

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

10. Disclosures

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

ACCOUNTABILITY REPORT – REMUNERATION AND STAFF REPORT

A) REMUNERATION REPORT

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION

The total remuneration disclosed on pages 39 to 44 includes all amounts paid or payable to the Executive Directors and Non-Executive members in 2021/22 and 2022/23. This includes a separate assessment of the estimated increase in the cumulative pension benefit that will be payable following retirement. These disclosures have been subject to audit.

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2023

	Gross Salary (Bands of £5,000) £'000	Benefits in Kind £'000	Total Earnings in Year (Bands of £5,000) £'000	Pension Benefits £'000	Total Remuneration (Bands of £5,000) £'000
Remuneration of:					
Executive Members					
Interim Chief Executive: Michael Dickson (1)	95-100	0	95-100	0	95-100
Director of Nursing, Midwifery and AHP: Samantha Thomas (2)	25-30	0	25-30	27	50-55
Director of Finance: Mark Doyle	110-115	0	110-115	96	205-210
Interim Director of Human Resources: Lorraine Hall (3)	80-85	0	80-85	0	80-85
Medical Director: Mark Henry	100-105	0	100-105	36	135-140
Director of Public Health: Dr Louise Wilson	145-150	0	145-150	0	145-150
Other Senior Employees					
Interim Director of Nursing: Mary Moore (4)	60-65	0	60-65	0	60-65
Interim Director of Public Health: Sara Lewis (5)	100-105	0	100-105	0	100-105
Interim Deputy Medical Director: Monique Sterrenburg (14)	100-105	0	100-105	26	125-130
Non Executive Members					
The Chair: Meghan McEwen	30-35	0	30-35	0	30-35
Caroline Evans (6)	0-5	0	0-5	0	0-5
James Stockan (7)	0-5	0	0-5	0	0-5
Isobel Grieve	5-10	0	5-10	0	5-10
David Campbell	5-10	0	5-10	0	5-10
Jason Taylor (8)	10-15	0	10-15	0	10-15
Joanna Kenny	5-10	0	5-10	0	5-10
Des Creasey	5-10	0	5-10	0	5-10
Steven Heddle (9)	5-10	0	5-10	0	5-10
Rona Gold (10)	5-10	0	5-10	0	5-10
Steven Johnston (11)	105-110	0	105-110	19	125-130
Martha Gill (12)	25-30	0	25-30	8	35-40
Ryan McLaughlin (13)	30-35	0	30-35	4	35-40

Note 1: Michael Dickson - commenced as Interim Chief Executive with effect from 01/07/2020, is seconded from NHS Shetland and pension benefits will be disclosed by them. Total charges are those invoiced.

Note 2: Samantha Thomas – commenced 09/01/2023. Gross salary would be in the range £110,000-£115,000

Note 3: Lorraine Hall – commenced as Interim Director of Human Resources with effect from 01/10/2020, is seconded from NHS Shetland and pension benefits will be disclosed by them. Total charges are those invoiced.

Note 4: Mary Moore – commenced 01/04/2022, left 31/12/2022, not in pension scheme, total salary would have been in the range £110,000-£115,000

Note 5: Sara Lewis – Interim Director of Public Health to cover absence in year, attended Board meetings and Executive Management Team meetings in year, in NEST pension scheme, no pension benefits to disclose

Note 6: Caroline Evans – left 31/08/2022

Note 7: James Stockan – left 30/04/2022

Note 8: Jason Taylor – 2022/23 gross pay includes arrears for 2021/22 £681.34

- Note 9: Steven Heddle – commenced 19/05/2022
- Note 10: Rona Gold – commenced 01/09/2022
- Note 11: Steven 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 12: Martha Gill - the remuneration disclosed comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a nurse. Left substantive post 23/01/2023, commenced Non Exec post 02/04/2022, left 05/01/2023. The gross remuneration for her role as a Non Executive Director would be in the annual range of £5,000 - £10,000.
- Note 13: Ryan McLaughlin - the remuneration disclosed comprises remuneration for his role as Employee Director and his remuneration for his substantive post as a eHealth Facilitator. Commenced Non Exec post 01/02/2023. The gross remuneration for his role as a Non Executive Director would be in the annual range of £5,000 - £10,000.
- Note 14: Monique Sterrenburg – Interim Deputy Medical Director to cover absence in year, attended Board meetings and Executive Management Team meetings in year

FOR THE YEAR ENDED 31 MARCH 2022

	Gross Salary (Bands of £5,000) £'000	Benefits in Kind £'000	Total Earnings in Year (Bands of £5,000) £'000	Pension Benefits £'000	Total Remuneration (Bands of £5,000) £'000
Remuneration of: Executive Members					
Interim Chief Executive: Michael Dickson (1)	90-95	0	90-95	0	90-95
Director of Nursing, Midwifery and AHP: David McArthur	85-90	0	85-90	21	105-110
Director of Finance: Mark Doyle	90-95	0	90-95	32	120-125
Interim Director of Human Resources: Lorraine Hall (2)	75-80	0	75-80	0	75-80
Medical Director: Mark Henry (3)	45-50	0	45-50	9	55-60
Director of Public Health: Dr Louise Wilson	145-150	0	145-150	0	145-150
Other Senior Employees					
Director of Acute Services: Kim Wilson	115-120	0	115-120	28	140-145
Non Executive Members					
The Chair: Meghan McEwen	30-35	0	30-35	0	30-35
David Drever	5-10	0	5-10	0	5-10
Caroline Evans	5-10	0	5-10	0	5-10
James Stockan	5-10	0	5-10	0	5-10
Isobel Grieve	5-10	0	5-10	0	5-10
David Campbell	5-10	0	5-10	0	5-10
Jason Taylor	5-10	0	5-10	0	5-10
Joanna Kenny	5-10	0	5-10	0	5-10
Des Ceasey (4)	0-5	0	0-5	0	0-5
Steven Johnston (5)	100-105	0	100-105	30	130-135
Fiona MacKellar (6)	50-55	0	50-55	13	60-65

- Note 1: Michael Dickson - commenced as Interim Chief Executive with effect from 01/07/2020, is seconded from NHS Shetland and pension benefits will be disclosed by them. Total charges are those invoiced.
- Note 2: Lorraine Hall – commenced as Interim Director of Human Resources with effect from 01/10/2020, is seconded from NHS Shetland and pension benefits will be disclosed by them. Total charges are those invoiced.
- Note 3: Mark Henry – commenced 15/11/2021. Gross salary would be in the range £125,000-£130,000
- Note 4: Des Creasey – commenced 21/03/2022, gross salary would be in the range £5,000-£10,000
- Note 5: 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 6: 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. Left 31/03/2022

PENSION TABLE

FOR THE YEAR ENDED 31 MARCH 2023

	Total accrued pension at pensionable age at 31 March 2023 (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 2023 (Bands of £5,000)	Real Increase in Lump Sum at age 65 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2023 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2022 £'000	Real increase in CETV in year £'000
Interim Chief Executive: Michael Dickson (1)							
Director of Nursing, AHPs & Midwifery: Samantha Thomas (2)	30-35	0-2.5	75-80	0-2.5	521	556	35
Director of Finance: Mark Doyle	40-45	5-7.5	80-85	7.5-10	832	717	115
Interim Director of Human Resources: Lorraine Hall (3)							
Medical Director: Mark Henry	0-5	2.5-5	0-5	0	44	12	32
Director of Public Health: Dr Louise Wilson	70-75	0	200-205	0	1,702	1,756	-54
Non Executive Director: Steven Johnston	25-30	0-2.5	0-5	0	239	221	18
Non Executive Director: Martha Gill (4)	0-5	0-2.5	0-5	0	31	26	5
Non Executive Director: Ryan McLaughlin (5)	5-10	0-2.5	0-5	0	55	52	3
Other Senior Employee: Sara Lewis (6)	0	0	0	0	0	0	0
Other Senior Employee: Monique Sterrenburg (7)	0-5	0-2.5	0-5	0	22	0	22
Other Senior Employee: Mary Moore (8)	0	0	0	0	0	0	0
						Total	284

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

Note 2: Samantha Thomas commenced as Director of Nursing, AHPs & Midwifery 09/01/2023

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

Note 4: Martha Gill commenced as Employee Director on 02/04/2022 and left 05/01/2023

Note 5: Ryan McLaughlin commenced as Employee Director on 01/02/2023

Note 6: Sara Lewis – Interim Director of Public Health to cover absence in year, attended Board meetings and Executive Management Team meetings in year, in NEST pension scheme only

Note 7: Monique Sterrenburg - Interim Deputy Medical Director to cover absence in year, attended Board meetings and Executive Management Team meetings in year

PENSION TABLE
FOR THE YEAR ENDED 31 MARCH 2022

	Total accrued pension at pensionable age at 31 March 2022 (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 2022 (Bands of £5,000)	Real Increase in Lump Sum at age 65 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2022 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2021 £'000	Real increase in CETV in year £'000
Interim Chief Executive: Michael Dickson (1)							
Director of Nursing, AHPs & Midwifery: David McArthur	10-15	0-2.5	10-15	0	231	202	28
Director of Finance: Mark Doyle	30-35	0-2.5	65-70	0-2.5	651	605	46
Interim Director of Human Resources: Lorraine Hall (2)							
Medical Director: Mark Henry (3)	0-5	0-2.5	0	0	11	0	11
Director of Public Health: Dr Louise Wilson	65-70	0	195-200	0	1,595	1,593	2
Non Executive Director: Steven Johnston	20-25	0-2.5	0	0	201	179	22
Non Executive Director: Fiona MacKeller	10-15	0-2.5	25-30	0	258	242	16
Other Senior Employee: Kim Wilson	45-50	12.5-15.0	145-150	42.5-45	1,100	758	328
						Total	453

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

Note 2: Lorraine Hall commenced as Interim Director of Human Resources from 01/10/2020. She is seconded from NHS Shetland and pension benefits will be disclosed by them

Note 3: Mark Henry commenced as Medical Director with effect from 15/11/2021

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

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

2022/23		2021/22		% Change
Range of staff remuneration (£000s)	10-175	Range of staff remuneration (£000s)	10-219	
Highest Earning Director's Total Remuneration* (£000s)	140-145	Highest Earning Director's Total Remuneration (£000s)	145-150	(3)
Median (salary only)	£37,496	Median (salary only)	£34,230	10
Ratio	3.82	Ratio	4.32	
25 th Percentile (salary only)	£29,599		£26,792	10
Ratio	5		6	
75 th Percentile (salary only)	£51,918		£49,081	6
Ratio	2.76		3.02	
Commentary The values above are based on salaries for full time equivalent pay.				

Remuneration Committee

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

Membership of the Remuneration Committee comprises:

Meghan McEwen	(Chair)
Steven Heddle	(Vice Chair)
David Campbell	(Non Executive Board Member)
Martha Gill	(Employee Director – until 5 January 2023)
Ryan Mclaughlin	(Employee Director – from 1 February 2023)

During 2022/23 the Remuneration Committee met 6 times.

Remuneration

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

Board Members' Contracts of Employment

The Executive Board members of NHS Orkney are employed on permanent contracts of employment which require a minimum of three-months' notice. The Non-Executive members are ministerial appointments on contracts of between two and four years. The terms and conditions of Executive and Senior Management Cohort and Non-Executive Members including annual remuneration, and any entitlement to severance

pay, is determined by the Scottish Government under Ministerial Direction and in accordance with relevant updates to Pay and Conditions of Service issued.

Performance Appraisal

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

B) STAFF REPORT

1. The Workforce/ Staff Governance

All elements of workforce activity sit within the governance remit of the Staff Governance Committee. The Committee, on an annual basis agree an action plan which details the programmes of work the Board will undertake under the 5 governance pillars and track progress on the delivery on a quarterly basis. The Chair of the Committee provides a risk and assurance update directly to the Board.

Each year in compliance with our statutory requirements the Board completes a Self-Assessment for Scottish Government Workforce Division (SAAT) and receive feedback on performance which includes activities to be included or progressed the following year.

To enable us to deliver quality patient services we need to ensure that we attract, recruit and retain staff. Enabling and supporting staff to be the best that they can be is a key aspiration and to empower means that we need to be an employer that listens. We recognise that being a listening employer is something that we have to work at continuously with staff to ensure that we build together a culture of one that hears, listens and takes action in a caring, compassionate and thoughtful way.

In 2022/23, 182 people were employed - 57 internal, 125 are external applicants which included 92 permanent contracts, 28 fixed-terms and secondments and 62 bank and locum contracts.

Throughout the year the use of agency medical, nursing and Allied Health Professional staffing has remained at a high level. This continued to be necessary during 2022/23 to cover critical roles whilst meeting our Covid-19 service requirements and to remobilise our services with the board. We have been working with key clinical colleagues to determine the roles for the future and to look at innovative ways to recruit.

We have signed an agreement around locum costs and usage that will support not only gaining quality candidates but capping the price structure. We are ensuring that we work within the guideline and principles as laid down by Scottish Government on the use of agency workforce. These changes which are being made in order to support patient safety, as required by the Health and Care (Staffing) (Scotland) Act 2019, and to address the value and sustainability relating to the use of flexible workforce provide a framework for Boards to operate within (and to report compliance on).

NHS Orkney has 22 active volunteers in the organisation, these include 11 Breastfeeding Supporters with a further 7 in the process of being recruited and 11 Spiritual Care Volunteers.

Staff Support and Wellbeing

The Staff Support and Wellbeing Group have continued to meet on a monthly basis to discuss ideas to improve staff wellbeing. Due to busy work schedules attendance has

been poor and Directors are in the process of providing names of colleagues within their team who will champion wellbeing matters in their prospective areas.

Wellbeing initiatives continue to be promoted to staff on a weekly basis as part of our staff communications.

There was a successful physical activity challenge carried out in the lead up to Christmas and this was thanks to working collaboratively with the Pickaquoy Centre who supplied fantastic prizes for participants. A number of staff participated in activities that they had never tried before in the taster sessions and passport stamps to prizes.

Understanding that health and wellbeing can be impacted by matters outside the workplace and in the current socio-economic climate, the Occupational Health Nurse Manager has now been given authority to refer staff who are in need directly to the Foodbank. There is an emergency food parcel on-site for any working staff who may struggle to get to the foodbank for initial parcel due to shift patterns. We are also able to support staff who are struggling with heating costs and working in partnership with Trade Union colleagues we are looking at further ways to support staff which will be articulated in the future work of the group.

Occupational Health continue to provide ongoing support to the organisation as part of recruitment, management referrals, workstation assessments and general wellbeing. Two of the Occupational Health nurses have completed their audiometry and spirometry training to support colleagues in the organisation and also small and medium-sized enterprises (SME's) as part of providing a wider service to the Community.

Further improving staff health and wellbeing and listening to the views of our staff on this important matter to inform our areas of focus will continue to be an area of focus in the year to come as set out in our 2023/24 priorities and Plan on a Page.

Organisational Development

As described on page 21, NHS Orkney participates in iMatter, NHS Scotland's Staff Experience continuous improvement tool.

The questionnaire response rate for NHS Orkney for the 2022 run was 58%. An iMatter Manager Development Session was provided to 18 managers across NHS Orkney and Shetland and feedback received to date has been positive and well-received. There is a Turas (the NHS education for Scotland's single, unified platform) module under development nationally which we will hopefully be able to implement for the 2023 programme.

Although the 60% target was not reached, the figures do include Orkney Islands Council (OIC) Orkney Health and Care (OHAC) employees that were not part of iMatter in 2021 and the OIC Directorate alone was 47%. NHS Orkney OHAC had a 76% completion and all other teams in NHS Orkney not including OHAC was 61%. Board members were 82%.

63 out of 129 teams have completed their action plans giving a 49% completion rate. Communications have been issued to managers and colleagues to emphasise the importance of individual teams getting together to discuss the results and develop meaningful action plans for a more positive staff experience and a communication and support plan is in place for this financial year.

Training and Education

Promotion of apprenticeship schemes has also been an area of focus for the Talent and Culture Team. NHS Orkney is currently supporting nine colleagues undertaking a graduate apprenticeship with two of these starting in September 2022 and two colleagues undertaking modern apprenticeships at SVQ three level. The team are continuing to build relationships with providers including Robert Gordon University, Herriot Watt and the University of Highlands and Islands Orkney College, while encouraging recruiting managers to consider apprenticeships as an option to “grow our own” when developing roles within service areas.

To support the confidence and capability of our managers within NHS Orkney, the Human Resources Team, working in partnership and in collaboration with our colleagues at NHS Shetland, have created and delivered a number of training, development and improvement sessions throughout 2022/23. The manager bundles were aimed at providing managers with information and support to allow them to build key skills which are required in their role. In addition to the three managers bundles that were created and delivered last year (Attendance Management, Managing Difficult Conversation, and effective Appraisal conversations) managers bundles now include: workplace investigations; managing flexible working request; use of fixed-term contracts and redeployment; and eESS training. In 2022/23, 70 colleagues within the organisation have booked on and attended one of these bundles with the effective appraisal conversation training having the highest attendance.

Continuing our focus on developing and improvement, seven colleagues virtually attended a Scottish Improvement Foundation Skills (SIFS) course during 2022/23. The aim of SIFS is to support individuals to develop the skills, knowledge, and confidence in using improvement methodology and contribute as part of an improvement team testing, measuring and reporting on changes made. Originally developed by NHS Education for Scotland (NES) this course was delivered by NHS Shetland and will continue to be offered to colleagues in NHS Orkney during 2023/24.

2. Staff Costs

The following table summarises total staff costs and numbers for 2022/23 and the prior year:

2021/22		2022/23						
Total £'000	STAFF COSTS	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees £'000	Total £'000
27,805	Salaries and wages	632	238	28,566				29,436
2,836	Taxation and Social security costs	61	22	3,097				3,180
4,795	NHS scheme employers' costs	86	25	4,962				5,073
319	Secondees				382		(358)	24
4,214	Agency staff					4,167		4,167
39,969		779	285	36,625	382	4,167	(358)	41,880
6	Compensation for loss of office or early retirement	0	0	0	0	0	0	0
39,975	TOTAL	779	285	36,625	382	4,167	(358)	41,880

There were no staff engaged directly on capital projects in 2022/23 (2021/22 nil).

£2.3m of total staff costs for 2022/23 relate to Covid-19 expenditure (2021/22 £3.7m).

The staff costs are included under Note [3a](#) £42.238m and Note [4](#) income £358,000 (£249,000 relates to other NHS Scotland bodies).

Staff Numbers

683	Whole Time Equivalent (WTE)	5	10	617	4	45	(4)	677
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0	Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:	0
8	Included in the total staff numbers above were disabled staff of:	8

3. Staff Composition

	As at 31 March 2022			As at 31 March 2023		
	Male	Female	Total	Male	Female	Total
Executive Directors	5	2	7	3	2	5
Non-Executive Directors and Employee Director	5	5	10	6	4	10
Senior Employees	22	25	47	26	28	54
Other	115	577	692	107	534	641
Total Head Count	147	609	756	142	568	710

4. Higher Paid Employees Remuneration

2021/22 Number		2022/23 Number
Clinicians		
6	£70,001 to £80,000	10
5	£80,001 to £90,000	3
3	£90,001 to £100,000	5
5	£100,001 to £110,000	5
0	£110,001 to £120,000	3
2	£120,001 to £130,000	5
5	£130,001 to £140,000	1
1	£140,001 to £150,000	1
0	£150,001 to £160,000	0
1	£160,001 to £170,000	0
0	£170,001 to £180,000	0
0	£180,001 to £190,000	0
0	£190,001 to £200,000	0
2	£200,001 and above	2
Other		
2	£70,001 to £80,000	2
1	£80,001 to £90,000	0
6	£90,001 to £100,000	4
0	£100,001 to £110,000	0
1	£110,001 to £120,000	1

5. Sickness Absence Data

NHS Orkney proactively manage staff who are absent in the workplace due to sickness. Staff are supported and encouraged to return to work as soon as possible which may include adjustment programmes longer than four weeks when clinically justified as part of a phased return to work agreed with both their manager and Occupational Health.

Our overall sickness absence rate continues to be higher than that of the National Heat Standard of 4%. For the year ended March 2023, the national sickness absence rate

was 6.2%, with NHS Orkney's performance 6.63% (six Boards in Scotland have higher sickness rates than NHS Orkney). In line with national averages our sickness absence has increased from March 2022 with the national average being 5.69% and NHS Orkney end of year at 4.9% .

Our Staff Governance Action Plan for 2023/2024 articulates a number of activities that we are progressing to support managers deliver against Promoting Attendance and to support staff and teams with their health resilience. We have six colleagues training as TRiM practitioners (trauma informed management practices) to support mental wellbeing and resilience, training scheduled for the 25 and 26 May 2022, completion of which will ensure that NHS Orkney will have seven trained TRiM Practitioners available to individual staff or teams who have been involved in a traumatic incident.

Understanding from the absence statistics that Musculo-skeletal ill health absence is of concern we have publicised desk stretches to alleviate aches and pains with the Wellbeing group looking at other areas in which we can create further offerings to support staff.

		2021/22	2022/23
Sickness absence data		4.9%	6.7%

6. Staff Policies applied during the year relating to employment of disabled persons

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

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

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

Our work in each of these areas is designed to:

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

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

7. Exit Packages

There were no compulsory redundancies in 2022/23 or 2021/22. There were no exit packages in 2022/23:

2022/23

Exit package cost band	Number of other departures agreed	Cost of exit packages £'000
<£10,000	0	0
Total exit packages	0	0

2021/22

Exit package cost band	Number of other departures agreed	Cost of exit packages £'000
£50,000 - £100,000	1	6
Total exit packages	1	6

8. Trade Union Regulations

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

Number of employees who were relevant union officials during the period 1 April 2022 to 31 March 2023	Full-time equivalent employee number
11	10

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

Total cost of facility time	£20,813
Total pay bill	£42,214,515
Percentage of the total pay bill spent on facility time	0.05%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	4%
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C) PARLIAMENTARY ACCOUNTABILITY

1. Losses and Special Payments

On occasion the Board may be required to write off balances which are no longer recoverable. Losses and special payments over £250k require formal approval to regularise such transactions and their notation in the annual accounts of which none arose in 2022/23 or 2021/22.

There were no special payments written off during 2022/23 or 2021/22, however, the losses accounted for are as follows:

	<i>2022/23</i>		<i>2021/22</i>	
	<i>No. of cases</i>	<i>£'000</i>	<i>No. of cases</i>	<i>£'000</i>
Losses	20	7	18	2

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

2. Fees and Charges

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

There were no material amounts in 2022/23 or 2021/22.

3. Contingent Liabilities

There were no contingent liabilities in 2022/23 or 2021/22.

Signed

Date 24 August 2023

Laura Skaife-Knight
Chief Executive

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

Reporting on the audit of the financial statements Opinion on financial statements

We have audited the financial statements in the annual report and accounts of NHS Orkney Board and its group for the year ended 31 March 2023 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated 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 financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the affairs of the board and its group as at 31 March 2023 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the board and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the board and its group. However, we report on the board's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

We report in our separate Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the board's operations.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 decisions of users taken on the basis of these financial statements.

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

- using our understanding of the health sector to identify that the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers are significant in the context of the board;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the board;
- inquiring of the Accountable Officer concerning the board's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on regularity of expenditure and income Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

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

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Other information

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

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In our 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 we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other

purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Rashpal Khangura, (for and on behalf of KPMG LLP)

1 Sovereign Square

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24 August 2024

**STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2023**

2021/22 £'000		Notes	2022/23 £'000
	Total income and expenditure		
40,208	Employee expenditure	3	42,238
	Other operating expenditure:		
6,433	Independent Primary Care Services	3	6,221
8,775	Drugs and medical supplies	3	9,371
71,931	Other health care expenditure	3	65,048
127,347	Gross Expenditure for the year		122,878
(43,168)	Less: Other Operating Income	4	(43,425)
(1,880)	Associates and joint ventures accounted for on an equity basis		1,780
82,299	Net expenditure for the year		81,233

OTHER COMPREHENSIVE NET EXPENDITURE

2021/22 £'000		2022/23 £'000
(4,042)	Net (gain)/loss on revaluation of Property Plant and Equipment	(20,737)
(43)	Net (gain)/loss on revaluation investments	74
(4,085)	Other Comprehensive Expenditure	(20,663)
78,214	Comprehensive net expenditure	60,570

The Notes to the Accounts, numbered 1 to 24, form an integral part of these Accounts.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023**

31 March 2022			31 March 2023	
Consolidated £'000	Board £'000	Notes	Consolidated £'000	Board £'000
		Non-Current Assets:		
75,066	75,066	Property, plant and equipment	94,322	94,322
276	276	Intangible assets	221	221
		Right of Use assets	631	631
		Financial assets:		
1,013	0	Investments	935	0
3,042	0	Investments in associates and joint ventures	1,262	0
12	12	Trade and other receivables	16	16
79,409	75,354	Total non-current assets	97,387	95,190
		Current Assets:		
833	833	Inventories	801	801
		Financial assets:		
1,044	1,044	Trade and other receivables	1,604	1,601
352	234	Cash and cash equivalents	592	534
100	100	Assets classified as held for sale	0	0
2,329	2,211	Total current assets	2,997	2,936
81,738	77,565	Total assets	100,384	98,126
		Current liabilities		
(327)	(327)	Provisions	(440)	(440)
		Financial liabilities:		
(15,487)	(15,480)	Trade and other payables	(13,225)	(13,218)
(15,814)	(15,807)	Total current liabilities	(13,665)	(13,658)
65,924	61,758	Non-current assets plus/less net current assets/liabilities	86,719	84,468
		Non-current liabilities		
(1,177)	(1,177)	Provisions	(1,196)	(1,196)
0	0	Trade and other payables	(338)	(338)
(1,177)	(1,177)	Total non-current liabilities	(1,534)	(1,534)
64,747	60,581	Assets less liabilities	85,185	82,934
		Taxpayers' Equity		
55,800	55,800	General fund	57,190	57,190
4,781	4,781	Revaluation reserve	25,744	25,744
3,042	0	Other reserves – associates and joint ventures	1,262	0
1,124	0	Funds held on Trust	989	0
64,747	60,581	Total taxpayers' equity	85,185	82,934

The Notes to the Accounts, numbered 1 to 24, form an integral part of these Accounts.

The financial statements on pages 56 to 59 were approved by the board on 24 August 2023 and signed on their behalf by

.....Director of FinanceChief Executive

Date: 24 August 2023

STATEMENT OF CONSOLIDATED CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	2021/22 £'000		Notes	2022/23 £'000	
				£'000	£'000
		Cash flows from operating activities			
	(84,179)	Net expenditure	SOCTE	(81,233)	
	2,466	Adjustments for non-cash transactions	2b	4,994	
	0	Add back: interest payable recognised in net operating expenditure	2b	(26)	
	5,103	Movements in working capital	2b	(3,249)	
	(76,610)	Net cash outflow from operating activities			(79,514)
		Cash flows from investing activities			
	(2,175)	Purchase of property, plant and equipment		(1,062)	
	(21)	Investment Additions	10	(581)	
	171	Proceeds of disposal of property, plant and equipment		184	
	42	Receipts from sale of investments		587	
	(1,983)	Net cash outflow from investing activities			(872)
		Cash flows from financing activities			
	78,589	Funding	SOCTE	80,628	
	(1,876)	Movement in general fund working capital	SOCTE	300	
	76,713	Cash drawn down		80,928	
		IFRS 16 – 2022/23 cash lease payment		(328)	
		Interest paid		34	
		Interest element of leases and on-balance sheet PFI/ PPP and Hub Contracts		(8)	
	76,713	Net Financing			80,626
	(1,880)	Net Increase in cash and cash equivalents in the period			240
	2,232	Cash and cash equivalents at the beginning of the period			352
	352	Cash and cash equivalents at the end of the period			592
		Reconciliation of net cash flow to movement in net debt/cash			
	(1,880)	Increase in cash in year			240
	2,232	Net debt/cash at 1 April			352
	352	Net debt/cash at 31 March			592

The Notes to the Accounts, numbered 1 to 24, form an integral part of these Accounts.

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

Notes	General Fund £'000	Revaluation Reserve £'000	IJB Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2022	55,800	4,781	3,042	1,124	64,747
Changes in taxpayers' equity for 2021-22					
Net gain/(loss) on revaluation/indexation of property, plant and equipment 7a	0	21,318	0	0	21,318
Net gain/(loss) on revaluation of investments 10	0	0	0	(74)	(74)
Impairment of property, plant and equipment	0	(582)	0	0	(582)
Revaluation and impairments taken to operating Costs 2b	0	381	0	0	381
Transfers between reserves	154	(154)	0	0	0
Net operating cost for the year SOCNE	(79,392)	0	(1,780)	(61)	(81,233)
Total recognised income and expense for 2021-22	(79,238)	20,963	(1,780)	(135)	(60,190)
Funding:					
Drawn down	80,928	0	0	0	80,928
Movement in General Fund (Creditor) / Debtor CFS	(300)	0	0	0	(300)
Balance at 31 March 2023 SoFP	57,190	25,744	1,262	989	85,185

FOR THE YEAR ENDED 31 MARCH 2022

Notes	General Fund £'000	Revaluation Reserve £'000	IJB Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2021	61,310	816	1,162	1,115	64,403
Changes in taxpayers' equity for 2021-22					
Net gain/(loss) on revaluation/indexation of property, plant and equipment 7a	0	4,041	0	0	4,041
Net gain/(loss) on revaluation of investments 10	0	0	0	43	43
Impairment of property, plant and equipment	0	(138)	0	0	(138)
Impairment of intangible assets 6	0	(64)	0	0	(64)
Revaluation and impairments taken to operating Costs 2a	0	172	0	0	172
Transfers between reserves	46	(46)	0	0	0
Net operating cost for the year SOCNE	(84,145)	0	1,880	(34)	(82,299)
Total recognised income and expense for 2021-22	(84,099)	3,965	1,880	9	(78,245)
Funding:					
Drawn down	76,713	0	0	0	76,713
Movement in General Fund (Creditor) / Debtor CFS	1,876	0	0	0	1,876
Balance at 31 March 2022 SoFP	55,800	4,781	3,042	1,124	64,747

The Notes to the Accounts, numbered 1 to 24, 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) Standards, amendments and interpretations effective in current year:

IFRS16 is the new standard which has been issued and adopted for the year 2022-23

(b) Standards, amendments and interpretations effective in current year adopted early this year:

There are no new standards, amendments or interpretations adopted early in the 2022/23 financial year.

(c) Standards, amendments and interpretations issued but not adopted this year:

The table below summarises recent standards, amendments and interpretations issued but not adopted in the 2022/23 financial year:

Standard	Current Status
IFRS 14 Regulatory Deferral Accounts	Effective for accounting periods starting on or after 1 January 2016. Not applicable to NHS Scotland Bodies.
IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2021. However, this Standard is not yet adopted by the FReM. Expected adoption by the FReM from April 2025

2. Basis of Consolidation

Consolidation

In accordance with IFRS 10 – Consolidated Financial Statements, the Financial Statements consolidate the Orkney Health Board Endowment Funds.

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

members of the NHS Board. The Board members (who are also Trustees) are appointed by Scottish Ministers.

The Orkney Health Board Endowment Funds is a Registered Charity with the Office of the Charity Regulator of Scotland (OSCR) and is required to prepare and submit Audited Financial Statements to OSCR on an annual basis.

The basis of consolidation used is Merger Accounting. Any intra-group transactions between the Board and the Endowment Fund have been eliminated on consolidation.

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

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

Note 24 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

3. Retrospective Restatement

There are no prior year adjustments for 2022/23.

4. Going Concern

The accounts are prepared on the going concern basis, which provides that the NHS Board 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, and financial assets and liabilities (including derivative instruments) at fair value as determined by the relevant accounting standards and the FReM.

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 are 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.

Thereafter, valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and are 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 (Red Book) insofar as these terms are consistent with the agreed requirements of Scottish Government.

In general, operational assets which are in use delivering front-line services or back-office functions are valued at current market value in existing use. However, to meet the underlying objectives established by the Scottish Government the following is accepted variations of the RICS Appraisal and Valuation Manual are adopted:

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

- Non-specialised equipment, installations and fittings are valued at fair value, using the most appropriate valuation methodology available. A depreciated historical cost basis is considered an appropriate proxy for fair value in respect of assets which have short useful lives or low values (or both).

All assets that are not held for their service potential (i.e. investment properties and assets held for sale), including operational assets which are surplus to requirements where there are no restrictions on disposal which would prevent access to the market, 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 agreed by an independent valuer.
- Non-specialised land and buildings, such as offices, are stated at fair value

Surplus assets with restrictions on their disposal, are valued at current value in existing use. Assets have been assessed as surplus where there is no clear plan to bring the asset back into future use as an operational asset.

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.

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

Permanent decreases in asset values and impairments arising from a reduction in service potential or consumption of economic benefit are charged 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 arising from a change in market price are charged to the revaluation reserve where there is an available balance for the asset concerned, and thereafter are charged to the Statement of Comprehensive Net Expenditure.

7.3 Depreciation

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

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

- 1) freehold land is considered to have an infinite life and is not depreciated

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

Depreciation is charged on a straight line basis.

The following asset lives have been used:

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

8. Intangible Assets

8.1 Recognition

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

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

The main classes of intangible assets recognised are:

Software:

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

Software licences:

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

8.2 Measurement

Valuation:

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

8.3 Amortisation

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

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

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

Amortisation is charged on a straight line basis.

The following asset lives have been used:

<u>Asset Category/Component</u>	<u>Useful Life</u>
Software	5

9. Non-current assets held for sale

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

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

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

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

10. Donated Assets

Non-current assets that are donated or purchased using donated funds are included in the Statement of Financial Position initially at the current full replacement cost of the asset. Donated assets are revalued, depreciated/ amortised and subject to impairment in the same way as other non-current assets in accordance with 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. Leases

Accounting Policies

IFRS 16 Leases became effective for periods beginning on or after 1 January 2019, however the FReM deferred adoption until 2021. The cumulative catch-up method has been mandated by the FReM. Consequently, the comparatives for 2021-22 reflect the requirements of IAS 17 Leases.

Leases

Scope and classification

Leases are contracts, or parts of a contract that convey the right to use an asset in exchange for consideration. The FReM expands the scope of IFRS 16 to include arrangements with nil consideration. The standard is also applied to accommodation sharing arrangements with other government departments.

Contracts or parts of contract that are leases in substance are determined by evaluating whether they convey the right to control the use of an identified asset, as represented by rights both to obtain substantially all the economic benefits from that asset and to direct its use.

The following are excluded:

- Contracts for low-value items, defined as items costing less than £5,000 when new, provided they are not highly dependent on or integrated with other items; and
- Contracts with a term shorter than twelve months (comprising the non-cancellable period plus any extension options that are reasonably certain to be exercised and any termination options that are reasonably certain not to be exercised).

Initial recognition

At the commencement of a lease (or the IFRS 16 transition date, if later), a right-of-use asset and a lease liability are recognised. The lease liability is measured at the present value of the payments for the remaining lease term (as defined above), net of irrecoverable value added tax, discounted either by the rate implicit in the lease, or, where this cannot be determined, the rate advised by HM Treasury for that calendar year. The liability includes payments that are fixed or in-substance fixed, excluding, for example, changes arising from future rent reviews or changes in an index. The right-of-use asset is measured at the value of the liability, adjusted for any payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease.

However, for peppercorn or nil consideration leases, the asset is measured at its existing use value.

Subsequent measurement

The asset is subsequently measured using the fair value model. The cost model is considered to be a reasonable proxy except for leases of land and property without regular rent reviews. For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration have been valued using market prices or rentals for equivalent land and properties. The liability is adjusted for the accrual of interest, repayments, and reassessments and modifications. These are measured by re-discounting the revised cash flows.

Lease expenditure

Expenditure includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rental payments for leases of low-value items or shorter than twelve months are expensed.

Where a Health Board leases assets to others which are material they must disclose the accounting policy used for these leases.

For these arrangements, the Health Board assesses whether the leases are finance or operating leases. For finance leases, it derecognises the asset and recognises a receivable. Interest is accrued throughout the financial year and recognised in income. For operating leases, rental income is recognised on a systematic basis, usually straight-line, over the lease term.

Transitional arrangements

The following determinations have been made:

- To adopt IFRS 16 retrospectively, without restatement of comparative balances. Consequently, the Statement of Comprehensive Net Expenditure and the Statement of Financial Position for 2021-2 reflect the requirements of IAS 17;
- Not to reassess the classification of contracts previously classified as leases or service contracts under IAS 17 and IFRIC 4. However, new contracts entered into from 1 April 2022 have been classified using the IFRS 16 criteria;
- For leases previously treated as operating leases:
 - To measure the liability at the present value of the remaining payments, discounted by the discount rate issued by HM Treasury;
 - o To measure the asset at an amount equal to the liability, adjusted for any prepayment or accrual balances previously recognised for that lease;
 - o To exclude leases whose term ends within twelve months of first adoption;
 - o To use hindsight in assessing remaining lease terms;
 - o For leases previously identified as onerous and provided for, to use the practical expedient of adjusting the right-of-use asset by the amount of that provision.
- For leases previously treated as finance leases:
 - o To use the carrying amount of the lease asset and liability measured immediately before first adoption under IAS 17 as the carrying value of the right-of-use asset and lease liability as at first adoption.
- The 2023-24 FReM has been amended to require reporting entities to record indexation linked payments in PPP liabilities in accordance with IFRS 16 from 2023-24. The 2022-23 FReM has not been amended to clarify that this specific aspect of IFRS 16 has been deferred until 2023-24 and therefore does not apply in 2022-23. Where entities have in the past applied the principles of IAS 17 to account for the impact of changes in the relevant indices (e.g. CPI or RPI) in

respect of on-balance sheet PPP/PFI contracts with index-linked payments, the application of IFRS 16 requirements is deferred to 1 April 2023.

Estimates and judgements

The Board determines the amounts to be recognised as the right-of-use asset and lease liability for embedded leases based on the stand-alone price of the lease and non-lease component or components. This determination reflects prices for leases of the underlying asset, where these are observable; otherwise, it maximises the use of other observable data, including the fair values of similar assets, or prices of contracts for similar non-lease components. In some circumstances, where stand-alone prices are not readily observable, the entire contracts are treated as a lease as a practical expedient. The FReM requires right-of-use assets held under “peppercorn” leases to be measured at existing use value.

Accounting for leases under IAS 17 (2021-22)

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

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

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

19. Related Party Transactions

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

20. Value Added Tax

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

21. NPD Schemes

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

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

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

Business model

The Board's business model refers to how it manages its financial assets in order to generate cash flows and is determined at a level which reflects how groups of financial assets are managed to achieve a business objective, rather than assessment of individual instruments.

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 note 3.

27. Cash and cash equivalents

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

28. Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

29. Third party assets

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

30. Key sources of judgement and estimation uncertainty

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

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

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

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

Fair Value of Property, Plant and Equipment: Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. All land and buildings were valued at 31 March 2023 by an independent valuer. The basis of property valuation is explained in the performance report.

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

NHS ORKNEY

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2023

		2022/23 £'000
2a. Summary of Core Revenue Resource Outturn	Notes	
Net Expenditure	SOCNE	81,233
Total Non Core Expenditure (see below)		(3,271)
FHS Non Discretionary Allocation		(1,839)
Endowment Net Expenditure		(61)
Associates and joint ventures accounted for on an equity basis		(1,780)
Total Core Expenditure		74,282
Core Revenue Resource Limit		74,369
Saving/(excess) against Core Revenue Resource Limit		87

Summary of Non Core Revenue Resource Outturn		
Capital grants to/ (from) other bodies		(131)
Depreciation/Amortisation		2,960
Annually Managed Expenditure – Impairments		380
Annually Managed Expenditure – Provisions		113
Annually Managed Expenditure – depreciation of donated assets		2
Donated assets income		(53)
Total Non Core Expenditure		3,271
Non Core Revenue Resource Limit		3,271
Saving/(excess) against Non Core Revenue Resource Limit		0

Summary Resource Outturn	Resource £'000	Expenditure £'000	Saving/(Excess) £'000
Core	74,369	74,282	87
Non Core	3,271	3,271	0
Total	77,640	77,553	87

2b. Notes to the cash flow statement

Consolidated adjustments for non-cash transactions

2021/22 £'000		2022/23 £'000	Notes
	Expenditure Not Paid In Cash		
2,358	Depreciation	2,593	7a
60	Amortisation	55	6
0	Depreciation on donated assets	2	7a
0	Depreciation on Right of Use (RoU) Assets	312	17b
138	Impairments on PPE charged to SoCNE	392	
(30)	Net revaluation on PPE charged to SoCNE	(11)	
0	Funding of Donated Assets	(53)	
64	Impairments on intangible assets charged to SoCNE	0	6
(124)	Loss/(Profit) on disposal of property, plant and equipment	(84)	
	B/fwd General Fund Diff	8	
(1,880)	Associates and joint ventures accounted for on an equity basis	1,780	SOCNE
586	Total Expenditure Not Paid In Cash	4,994	CFS

Interest payable recognised in operating expenditure

2022 £000			2023 £000
	Interest payable		
	Interest on late payment of commercial debt		
	Bank and other interest payable		
0	PFI lease charges allocated in the year	18b	0
	Lease interest	17b	8
	Provisions - Unwinding of discount		(34)
0	Net interest payable	CFS	(26)

Consolidated movements in working capital

2021/22		2022/23			Notes
Net Movement £'000		Opening Balances £'000	Closing Balances £'000	Net Movement £'000	
	INVENTORIES				
(111)	Consolidated Statement of Financial Position	833	801		8
(111)	Net Decrease/(Increase)			32	
	TRADE AND OTHER RECEIVABLES				
(167)	Due within one year	1,044	1,604		9
(4)	Due after more than one year	12	16		9
		1,056	1,620		
(171)	Net Decrease/(Increase)			(564)	
	TRADE AND OTHER PAYABLES				
3,613	Due within one year	15,487	13,225		12
0	Due after more than one year	0	338		
(64)	Less: Property, Plant & Equipment (Capital) included in above	0	0		
1,876	Less: General Fund Creditor included in above	(234)	(534)		
0	Less: lease and PFI creditors included in value	0	(625)		
		15,253	12,404		
5,425	Net Increase/(Decrease)			(2,849)	
	PROVISIONS				
(40)	Statement of Financial Position	1,504	1,636		13a
(40)	Net Increase			132	
5,103	NET MOVEMENT Increase/(Decrease)			(3,249)	CFS

3. Operating expenses

3a. Staff costs

2021/22 £'000		2022/23 £'000	Notes
8,900	Medical and Dental	9,200	
13,446	Nursing	14,016	
17,862	Other Staff	19,022	
40,208	Total	42,238	SOCNE

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

3b. Other operating expenditure

2021/22		2022/23	
Consolidated £'000		Board £'000	Consolidated £'000
	Independent Primary Care Services:		
4,217	General Medical Services	4,144	4,144
853	Pharmaceutical Services	873	873
1,107	General Dental Services	971	971
256	General Ophthalmic Services	233	233
6,433	Total Independent Primary Care Services	6,221	6,221
	Drugs and medical supplies:		
4,226	Prescribed drugs and appliances - Primary Care	4,538	4,538
2,862	- Secondary Care	3,220	3,220
198	PPE and Testing Kits	79	79
1,489	Medical Supplies	1,534	1,534
8,775	Total Drugs and medical supplies	9,371	9,371
	Other health care expenditure		
44,100	Contribution to Integrated Joint Boards	37,568	37,568
8,017	Goods and services from other NHS Scotland bodies	8,598	8,598
(40)	Goods and services from other UK NHS bodies	80	80
812	Goods and services from private providers	487	487
70	Goods and services from voluntary organisations	72	72
2,301	Resource Transfer	2,355	2,355
0	Loss on disposal of assets	0	0
16,512	Other operating expenses	15,692	15,692
75	Auditor's remuneration - statutory audit fee	91	91
84	Endowment Fund expenditure	0	105
71,931	Total Other health care expenditure	64,943	65,048
87,139	Total	80,535	80,640

4. Operating Income

2021/22		2022/23		
Consolidated £'000		Board £'000	Consolidated £'000	Notes
182	Income from Scottish Government	313	313	
1,019	Income from other NHS Scotland bodies	1,051	1,051	
142	Income from NHS non-Scottish bodies	160	160	
40,745	Income for services commissioned by Integrated Joint Board (IJB)	40,723	40,723	
181	Patient charges for primary care	213	213	
0	Donations	53	53	
124	Profit of disposal of assets	86	86	
(25)	Contribution in respect of clinical and medical negligence claims			
	Non NHS:			
0	Overseas patients (non-reciprocal)	43	43	
50	Endowment Fund Income	0	44	
750	Other	739	739	
43,168	Total Income	43,381	43,425	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	Dental, Ophthalmic and Pharmacy NCL	Covid - 19	Savings Target	Capital Grant Income	External Commissioning	Estates & Facilities
	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000
2022/23 Net operating cost	16,197	4,063	26,366	1,839	916	0	(131)	10,561	7,657

2021/22 Net operating cost	13,341	3,406	29,335	2,011	11,749	(2,605)		10,530	7,779
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	Annually Managed Expenditure	Support Services	Depreciation	IJB Consolidation – Joint Venture	Endowment s	Donated Asset	Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2022/23 Net operating cost	495	8,522	2,960	1,780	61	(53)		81,233
2021/22 Net operating cost	174	6,642	2,420	(1,880)	34		(637)	82,299

6. Intangible Assets

Movements in 2022/23	Notes	Software Licences £'000	IT - Software £'000	Total £'000
Cost or Valuation:				
As at 1st April 2022		3	1,336	1,339
Impairment charges		0	0	0
At 31st March 2023		3	1,336	1,339
Amortisation				
As at 1st April 2022		3	1,060	1,063
Provided during the year		0	55	55
Impairment charges		0	0	0
At 31st March 2023		3	1,115	1,118
Net Book Value at 1st April 2022		0	276	276
Net Book Value at 31 March 2023	SoFP	0	221	221

Movements in 2021/22	Notes	Software Licences £'000	IT - Software £'000	Total £'000
Cost or Valuation:				
As at 1st April 2021		3	1,476	1,479
Impairment charges		0	(140)	(140)
At 31st March 2022		3	1,336	1,339
Amortisation				
As at 1st April 2021		3	1,076	1,079
Provided during the year		0	60	60
Impairment charges		0	(76)	(76)
At 31st March 2022		3	1,060	1,063
Net Book Value at 1st April 2021		0	400	400
Net Book Value at 31 March 2022	SoFP	0	276	276

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

Movements in 2022/23	Notes	Land (including under 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 2022		1,876	70,496	325	404	11,050	5,848	1,022	2,014	93,035
Additions - purchased		0	60	0	226	55	92	0	629	1,062
Additions - donated			53	0	0	0	0	0	0	53
Completions		0	663	0	160	1,032	168	24	(2,047)	0
Transfers (to)/ from non-current assets held for sale		0	0	0	0	0	0	0	0	0
Revaluation		20	15,960	(14)	0	0	0	0	0	15,966
Impairment charges		(66)	(665)	(22)	0	0	0	0	0	(753)
Disposals – purchased		0	0	0	(45)	0	0	0	0	(45)
At 31 March 2023		1,830	86,567	289	745	12,137	6,108	1,046	596	109,318
Depreciation										
At 1 April 2022		0	6,425	132	323	6,426	4,187	476	0	17,969
Provided during the year - purchased		0	1,442	21	43	466	547	74	0	2,593
Provided during the year - donated		0	2	0	0	0	0	0	0	2
Revaluation		0	(5,258)	(94)	0	0	0	0	0	(5,352)
Impairment charges		0	(158)	(13)	0	0	0	0	0	(171)
Disposals – purchased		0	0	0	(45)	0	0	0	0	(45)
At 31 March 2023		0	2,453	46	321	6,892	4,734	550	0	14,996
Net book value at 1 April 2022		1,876	64,071	193	81	4,624	1,661	546	2,014	75,066
Net book value at 31 March 2023	SoFP	1,830	84,114	243	424	5,245	1,374	496	596	94,322

Open Market Value of Land in Land and Dwellings Included Above	1,830	243
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Asset financing:

Owned-purchased	1,830	2,985	243	424	5,245	1,374	496	465	13,062
On-balance sheet NPD contracts	0	81,129	0	0	0	0	0	131	81,260
Net book value at 31 March 2023	SoFP	1,830	84,114	243	424	5,245	1,374	596	94,322

Prior year Purchased Assets

Movements in 2021/22	Notes	Land (including under 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 2021		1,896	66,086	373	444	11,020	5,472	1,003	753	87,047
Additions		0	0	0	0	246	246	0	1,747	2,239
Completions		0	148	0	74	97	141	20	(480)	0
Transfers (to)/ from non-current assets held for sale		(20)	(44)	(51)	0	0	0	(1)	(6)	(122)
Revaluation		0	4,306	3	0	0	0	0	0	4,309
Impairment charges		0	0	0	0	(313)	(11)	0	0	(324)
Disposals – purchased		0	0	0	(114)	0	0	0	0	(114)
At 31 March 2022		1,876	70,496	325	404	11,050	5,848	1,022	2,014	93,035
Depreciation										
At 1 April 2021		0	4,838	115	411	6,213	3,676	406	0	15,659
Provided during the year-purchased		0	1,329	22	26	396	514	71	0	2,358
Transfers (to)/ from non-current assets held for sale		0	(7)	(8)	0	0	0	(1)	0	(16)
Revaluation		0	265	3	0	0	0	0	0	268
Impairment charges		0	0	0	0	(183)	(3)	0	0	(186)
Disposals – purchased		0	0	0	(114)	0	0	0	0	(114)
At 31 March 2022		0	6,425	132	323	6,426	4,187	476	0	17,969
Net book value at 1 April 2021		1,896	61,248	258	33	4,807	1,796	597	753	71,388
Net book value at 31 March 2022	SoFP	1,876	64,071	193	81	4,624	1,661	546	2,014	75,066

Open Market Value of Land in Land and Dwellings Included Above	1,876	193
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Asset financing:

Owned-purchased	1,876	2,794	193	81	4,624	1,661	546	2,014	13,789
On-balance sheet NPD contracts	0	61,277	0	0	0	0	0	0	61,277
Net book value at 31 March 2022	SoFP	1,876	64,071	193	81	4,624	546	2,014	75,066

7(b). Assets Held for Sale

There are no assets held for sale at 31 March 2023.

The Board disposed of Greystones, Evie during 2022/23

Movements in 2022/23	Notes	Property, Plant & Equipment £'000
At 1 April 2022		100
Transfers from property, plant and equipment		0
Disposals of non-current assets held for sale		(100)
As at 31 March 2023	SoFP	0

Movements in 2021/22	Notes	Property, Plant & Equipment £'000
At 1 April 2021		41
Transfers from property, plant and equipment		106
Disposals of non-current assets held for sale		(47)
As at 31 March 2022	SoFP	100

The old Balfour site remains part of our non-current assets at 31/03/23, the Board is considering options for the future of the site.

7(c). Property, Plant and Equipment Disclosures

2021/22 £'000		2022/23 £'000	Notes
	Net book value of property, plant and equipment at 31 March		
75,066	Purchased	94,271	
0	Donated	51	
75,066	Total	94,322	SoFP

1,876	Net book value related to land valued at open market value at 31 March	1,830
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193	Net book value related to buildings valued at open market value at 31 March	243
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61,277	Total value of assets held under NPD contract	81,260
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All land and buildings were revalued by an independent valuer, the Gerald Eve LLP, as at 31/03/2023 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 £20.737m (2021-22: £4.042m) which was credited to the revaluation reserve. Impairment of £0.380m (2021-22: £0.171m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn.

7(d). Analysis of Capital Expenditure

2021/22 £'000		2021/22 £'000	Notes
	EXPENDITURE		
0	Acquisition of Intangible Assets	0	6
2,239	Acquisition of Property, plant and equipment	1,062	7a
0	Donated asset additions	53	7a
2,239	Gross Capital Expenditure	1,115	
	INCOME		
0	Net book value of disposal of Property, plant and equipment	0	7a
47	Value of disposal of Non-Current Assets held for sale	100	
47	Capital Income	100	

2,192	Net Capital Expenditure	1,015
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SUMMARY OF CAPITAL RESOURCE OUTTURN

2,192	Core capital expenditure included above	961
2,192	Core Capital Resource Limit	961
0	Saving/(excess) against Core Capital Resource Limit	0
0	Non-core capital expenditure included above (including financial transactions)	53
0	Non-core Capital Resource Limit (including financial transactions)	53
0	Saving/ (excess) against Non Core Capital Resource Limit	0
2,192	Total Capital Expenditure	1,014
2,192	Total Capital Resource Limit	1,014

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

2021/22 £'000	Notes	2022/23 £'000
833	Raw Materials and Consumables	801
833	Total Inventories	801

9. Trade and Other Receivables

Consolidated 2021/22 £'000	Board 2021/22 £'000		Consolidated 2022/23 £'000	Board 2022/23 £'000	Notes
		Receivables due within one year			
		NHS Scotland			
39	39	Scottish Government Health & Social Care Directorate	41	41	
200	200	Boards	497	497	
239	239	Total NHS Scotland Receivables	538	538	
69	69	NHS Non-Scottish Bodies	23	23	
238	238	VAT recoverable	209	209	
184	184	Prepayments	344	344	
300	300	Accrued income	260	260	
		Other receivables	2	2	
0	0	Reimbursement of provisions	0	0	
14	14	Other Public Sector Bodies	225	225	
0	0	Endowments consolidation	3	0	
1,044	1,044	Total Receivables due within one year	1,604	1,601	SoFP
		Receivables due after more than one year			
		NHS Scotland			
12	12	Accrued income	16	16	
12	12	Total Receivables due after more than one year	16	16	SoFP
1,056	1,056	TOTAL RECEIVABLES	1,620	1,617	
6	6	The total receivables figure above includes a provision for impairments of :	3	3	
		WGA Classification			
200	200	NHS Scotland	497	497	
39	39	Central Government Bodies	41	41	
14	14	Whole of Government Bodies	225	225	
69	69	Balances with NHS Bodies in England and Wales	23	23	
734	734	Balances with bodies external to Government	834	831	
1,056	1,056	Total	1,620	1,617	

2021/22 £'000	2021/22 £'000	Movements on the provision for impairment of receivables are as follows:	2022/23 £'000	2022/23 £'000
6	6	At 1 April	6	6
0	0	Provision for impairment	1	1
0	0	Receivables written off during the year as uncollectible	(1)	(1)
0	0	Unused amounts reversed	(3)	(3)
6	6	At 31 March	3	3

As of 31 March 2023, receivables with a carrying value of £3k (2021/22: £6k) were impaired and provided for. The ageing of these receivables is as follows:

Consolidated 2021/22 £'000		Consolidated 2022/23 £'000
0	3 to 6 months past due	0
6	Over 6 months past due	3
6		3

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2023, receivables with a carrying value of £1.418m (2021/22: £0.911m) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Consolidated 2021/22 £'000	Board 2021/22 £'000		Consolidated 2022/23 £'000	Board 2022/23 £'000
908	908	Up to 3 months past due	1,460	1,457
66	66	3 to 6 months past due	48	48
82	82	Over 6 months past due	112	112
1,056	1,056		1,620	1,617

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

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

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

10. Investments

Consolidated 2021/22 £'000		Consolidated 2022/23 £'000	Notes
57	Government securities	50	
956	Other	885	
1,013	TOTAL	935	SoFP
991	At 1 April	1,013	
21	Additions	581	CFS
(42)	Disposals	(585)	
43	Revaluation surplus/(deficit) transferred to equity	(74)	SOCTE
1,013	At 31 March	935	
1,013	Non-current	935	SoFP
1,013	At 31 March	935	
0	The carrying value includes an impairment provision of	0	

All the transactions relate to the endowment funds.

11. Cash and Cash Equivalents

Consolidated 2021/22 £'000		Consolidated 2022/23 £'000	Notes
2,232	Balance at 1 April	352	
(1,880)	Net change in cash and cash equivalent balances	240	CFS
352	Balance at 31 March	592	SoFP
352	Total Cash – Cash Flow Statement	592	
199	Government Banking Service	518	
35	Commercial banks and cash in hand	16	
118	Endowment cash	58	
352	Balance at 31 March	592	

12. Trade and Other Payables

Consolidated 2021/22 £'000	Board 2021/22 £'000		Consolidated 2022/23 £'000	Board 2022/23 £'000	Notes
		Payables due within one year			
		NHS Scotland			
0	0	SGHSCD	0	0	
2,508	2,508	Boards	4,214	4,214	
2,508	2,508	Total NHS Scotland Payables	4,214	4,214	
8	8	NHS Non-Scottish Bodies	68	68	
234	234	Amounts Payable to General Fund	534	534	
725	725	FHS Practitioners	576	576	
1,334	1,334	Trade Payables	412	412	
2,024	2,024	Accruals	2,024	2,024	
116	116	Deferred income	18	18	
0	0	Net obligations under leases	287	287	17b
784	784	Income tax and social security	858	858	
605	605	Superannuation	626	626	
279	279	Holiday Pay Accrual	460	460	
6,863	6,863	Other Public Sector Bodies	3,141	3,141	
0	0	Other payables	0	0	
7	0	Endowments Consolidation	7	0	
15,487	15,480	Total Payables due within one year	13,225	13,218	SoFP
		Payables due after more than one year			
0	0	Net obligations under leases due within 2 years	208	208	17b
0	0	Net obligations under leases due after 2 years but within 5 years	130	130	17b
0	0	Total payables due more than one year	338	338	
15,487	15,480	TOTAL PAYABLES	13,563	13,556	
WGA Classification					
2,508	2,508	NHS Scotland	4,214	4,214	
0	0	Central Government Bodies	0	0	
6,863	6,863	Whole of Government Bodies	3,141	3,141	
8	8	Balances with NHS Bodies in England and Wales	68	68	
6,108	6,101	Balances with bodies external to Government	6,140	6,133	
15,487	15,480	Total	13,563	13,556	

Consolidated 2021/22	Board 2021/22
£'000	£'000
0	0
0	0
0	0
0	0

Borrowings included above comprise:

Bank overdrafts

Leases

PFI contracts

Consolidated 2022/23	Board 2022/23
£'000	£'000
0	0
625	625
0	0
625	625

Consolidated 2021/22	Board 2021/22
£'000	£'000
0	0
0	0
0	0

The carrying amount and fair value of the non-current borrowings are as follows

Carrying amount

Leases

PFI contracts

Consolidated 2022/23	Board 2022/23
£'000	£'000
338	338
0	0
338	338

All carrying amounts of payables are denominated in pounds sterling

13. Provisions

Movements in 2022/23	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000
At 1 April 2022	315	0	1,189	1,504
Arising during the year	1	90	184	275
Utilised during the year	(28)	0	(81)	(109)
Unwinding of Discount	(34)	0	0	(34)
Reversed unutilised	0	0	0	0
At 31 March 2023	254	90	1,292	1,636

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

Analysis of expected timing of discounted flows to 31 March 2023

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000	Notes
Payable in one year	28	90	322	440	SoFP
Payable between 2 - 5 years	0	0	786	786	
Payable between 6 - 10 years	0	0	67	67	
Thereafter	226	0	117	343	
At 31 March 2023	254	90	1,292	1,636	

Movements in 2021/22	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000
At 1 April 2021	327	50	1,167	1,544
Arising during the year	15	0	59	74
Utilised during the year	(27)	(50)	(37)	(114)
Unwinding of Discount	0	0	0	0
Reversed unutilised	0	0	0	0
At 31 March 2022	315	0	1,189	1,504

Analysis of expected timing of discounted flows to 31 March 2022

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000	Notes
Payable in one year	27	0	300	327	SoFP
Payable between 2 - 5 years	0	0	722	722	
Payable between 6 - 10 years	0	0	62	62	
Thereafter	288	0	105	393	
At 31 March 2022	315	0	1,189	1,504	

Pensions and similar Obligations

The board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of -1.30% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 17 years.

Clinical and Medical Legal Claims against NHS Board

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

Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

2021/22 £'000		2022/23 £'000	Notes
0	Provision recognising individual claims against the NHS Board as at 31 March	90	13
0	Associated CNORIS receivable at 31 March	0	9
1,189	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	1,292	13
1,189	Net Total Provision relating to CNORIS at 31 March	1,382	

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

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

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

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

14. Contingent Liabilities

There are no contingent liabilities in 2022/23 or 2021/22.

15. Events After the Reporting Period

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

16. Capital Commitments

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

2021/22		2022/23
Property, plant and equipment: £'000		Property, plant and equipment: £'000
	Contracted	
45	Building Works	0
8	Medical Equipment	0
53	Total	0

17. Leases

17a. Right of Use Assets (RoU)

CONSOLIDATED & BOARD

Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Total
£000	£000	£000	£000

Cost or valuation

At 1 April 2022	701	107	135	943
At 31 March 2023	701	107	135	943

Depreciation

At 1 April 2022	0	0	0	0
Provided during the year - (include new dilapidation provisions)	202	50	60	312
At 31 March 2023	202	50	60	312

Balance at 31 March 2022

701 107 135 943

Balance at 31 March 2023

SoFP

499 57 75 631

17b. Lease Liabilities

Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Total
£000	£000	£000	£000

Amounts falling due:

Not later than one year	202	25	60	287
Later than one year, not later than 2 years	171	23	14	208
Later than two year, not later than five years	130			130
Later than five years				0
Less: Unaccrued interest				0
Balance at 31 March 2023	503	48	74	625

Current

202	25	60	287
301	23	14	338
503	48	74	625

Non Current

Amounts recognised in the Statement of Comprehensive Net Expenditure

	2022-23	
	Consolidated	Board
	£000	£000
Depreciation	312	312
Interest Expense	8	8
Non Recoverable VAT on lease payments	2	2
Low value and short term leases		
Remeasurement of ROU assets - (gain)/loss charged to SOCNE		
Total	322	322

Amounts recognised in the Statement of Cash Flows

	2022-23	
	Consolidated	Board
	£000	£000
Interest Expense	8	8
Repayments of Principal of leases		
Total	8	8

17c. Previous Year Leases

2020/21 £'000	Operating Leases	2021/22 £'000
	Obligations under operating leases comprise:	
	Land	
16	Not later than one year	7
0	Later than one year, not later than 2 years	0
0	Later than two year, not later than five years	0
0	Later than five years	0
	Buildings	
157	Not later than one year	153
29	Later than one year, not later than 2 years	30
29	Later than two year, not later than five years	0
0	Later than five years	0
	Other	
5	Not later than one year	7
5	Later than one year, not later than 2 years	3
16	Later than two year, not later than five years	4

Amounts charged to Operating Costs in the year were:

7	Hire of equipment (including vehicles)	7
161	Other operating leases	353
168	Total	360

There were no finance leases within NHS Orkney.

18. Commitments under NPD contracts

The accounting treatment reflects the nature of the contract, which is a Non Profit Distribution (NPD) scheme with a funding variant. As agreed in the business case this asset is on the public sector Balance Sheet as a Fixed Asset. During 2019/20 the New Hospital and Healthcare Facility was recognised on Statement of Financial Position at Fair Value. NHS Orkney will make Annual Service Payments over the 25 year period of the contract which will be charged to the Statement of Comprehensive Net Expenditure as they are incurred. Ownership of the New Hospital and Healthcare Facility will pass to NHS Orkney at the end of the 25 year period. The Annual Service Payments made in 2022/23 totalled £1.906m (2021/22 £1.811m).

19. Pension Costs

2021/22 £'000		2022/23 £'000
5,239	Pension cost charge for the year	5,447
9	Additional Costs arising from early retirement	(43)
315	Provisions/Liabilities/Pre-payments included in the Balance Sheet	254

NHS Orkney participates in the NHS Pension Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an employer contribution rate from 1 April 2019 of 20.9% of pensionable pay and an anticipated yield of 9.6% employees contributions

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

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the (name of body) is unable to identify its share of the underlying assets and liabilities of the scheme. The employer contribution rate for the period from 1 April 2023 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

While a valuation was carried out as at 31 March 2016, work on the cost cap valuation was suspended by the UK Government following the decision by the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that the transitional protections provided as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

NHS Orkney's level of participation in the scheme is 0.4% based on the proportion of employer contributions paid in 2021-22.

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

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2020-21 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland)

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

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

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

National Employment Savings Trust (NEST)

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

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £6,136 up to £50,000, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

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

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

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

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

20. Financial Instruments

20(a). Financial Instruments by Category

Financial Assets	Consolidated			Board	
	Loans and Receivables £'000	Financial Assets £'000	Total £'000	Loans and Receivables £'000	Notes
2022/23					
At 31 March 2023					
Assets per Consolidated Statement of Financial Position					
Investments	0	935	935	0	10
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	529	0	529	529	9
Cash and cash equivalents	592	0	592	534	11
	1,121	935	2,056	1,060	

	Loans and Receivables £'000	Consolidated		Board	
		Financial Assets £'000	Total £'000	Loans and Receivables £'000	Notes
2021/22					
At 31 March 2022					
Assets per Consolidated Statement of Financial Position					
Investments	0	1,013	1,013	0	10
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	395	0	395	395	9
Cash and cash equivalents	352	0	352	234	11
	747	1,013	1,760	629	

Financial Liabilities	Consolidated		Board	
	Other financial liabilities £'000		Other financial liabilities £'000	Notes
2022/23				
At 31 March 2023				
Liabilities per Consolidated Statement of Financial Position				
Lease liabilities		625	625	
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation		7,222	7,215	12
		7,847	7,840	

	Consolidated	Board	
2021/22	Other financial liabilities £'000	Other financial liabilities £'000	Notes
At 31 March 2022			
Liabilities per Consolidated Statement of Financial Position			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	11,474	11,467	12
	11,474	11,467	

20(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 2023 was £7.215m (31 March 2022 was £11.465m).

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.

21. Derivative Financial Instruments

NHS Orkney does not have any derivative financial instruments.

22. Related Party Transactions

Jason Taylor ceased being a member of Management Committee of Orkney Housing Association Ltd. In the prior year, NHS Orkney received invoices from Orkney Housing Association Ltd for £30,318.

David Campbell is a director of Orkney Taxis and Private Hire Ltd. During the year expenditure totally £27,905 was incurred with Orkney Taxis and Private Hire Ltd.

Michael Dickson, Interim Chief Executive is also Chief Executive for NHS Shetland. At 31 March 2023 the amount due to NHS Shetland was £100,824 (2021/22: £172,612). The spend with NHS Shetland for 2022/23 was £496,079 (2021/22: £487,769). The amount due from NHS Shetland was £44,475 (2021/22: £93,148), the income in year was £94,414 (2021/22: £136,838).

The directors of the Board are also Trustees of Orkney Health Board Endowment funds. At 31 March 2023 there were £1,935 (2021/22: £2,718) outstanding debts due to NHS Orkney and nil (2021/22: nil) due by NHS Orkney.

The Integrated Joint Board expenditure in 2022/23 was £43.072m (2021/22: £44.100m). £2.524m (2021/22: £6.084m) is due as a creditor to the IJB at 31 March 2023.

23. Third Party Assets

There were no Patients' Private Fund Accounts held in 2022/23 or 2021/22.

24(a). Consolidated Statement of Comprehensive Net Expenditure

2021/22		2022/23				
Group £'000		Notes	Board £'000	IJB £'000	Endowments £'000	Consolidated £'000
	Total income and expenditure					
40,208	Staff costs	N3	42,238	0	0	42,238
	Other operating expenditure:					
6,433	Independent Primary Care Services	N3	6,221	0	0	6,221
8,775	Drugs and medical supplies		9,292	0	0	9,292
71,931	Other health care expenditure		65,022	0	105	65,127
127,347	Gross Expenditure for the year		122,773	0	105	122,878
(43,168)	Less: Other Operating Income	N4	(43,381)	0	(44)	(43,425)
(1,880)	Associates and joint ventures accounted for on an equity basis	N4	0	1,780	0	1,780
82,299	Net Operating Costs		79,392	1,780	61	81,233

24(b). Consolidated Statement of Financial Position

2021/22		2022/23				
Consolidated £'000		Notes	Board £'000	IJB £'000	Endowment £'000	Consolidated £'000
	Non-current assets:					
75,066	Property, plant and equipment	SoFP	94,322	0	0	94,322
276	Intangible assets	SoFP	221	0	0	221
	Right of Use assets	SoFP	631	0	0	631
	Financial assets:					
1,013	Investments	SoFP	0	0	935	935
3,042	Associates and joint ventures accounted for on an equity basis	26a	0	1,262	0	1,262
12	Trade and other receivables	SoFP	16	0	0	16
79,409	Total non-current assets		95,190	1,262	935	97,387
	Current Assets:					
833	Inventories	SoFP	801	0	0	801
	Financial assets:					
1,044	Trade and other receivables	SoFP	1,601	0	3	1,604
352	Cash and cash equivalents	SoFP	534	0	58	592
100	Assets classified as held for sale	SoFP	0	0	0	0
2,329	Total current assets		2,936	0	61	2,997
81,738	Total assets		98,126	1,262	996	100,384
(327)	Provisions	SoFP	(440)	0	0	(440)
	Financial liabilities:					
(15,487)	Trade and other payables	SoFP	(13,218)	0	(7)	(13,225)
(15,814)	Total current liabilities		(13,658)	0	(7)	(13,665)
65,924	Non-current assets plus/less net current assets/liabilities		84,468	1,262	989	86,719
	Non-current liabilities					
(1,177)	Provisions	SoFP	(1,196)	0	0	(1,196)
0	Trade and other payables		(338)	0	0	(338)
(1,177)	Total non-current liabilities		(1,534)	0	0	(1,534)
64,747	Assets less liabilities		82,934	1,262	989	85,185
	Taxpayers' Equity					
55,800	General fund	SoFP	57,190	0	0	57,190
4,781	Revaluation reserve	SoFP	25,744	0	0	25,744
3,042	Other reserves – IJB joint venture	SoFP	0	1,262	0	1,262
1,124	<i>Funds Held on Trust</i>	SoFP	0	0	989	989
64,747	Total taxpayers' equity		82,934	1,262	989	85,185

24(c). Consolidated Statement of Cash Flows

2021/22		2022/23			
Consolidated £'000		Board £'000	Endowment £'000	Integration £'000	Group £'000
	Cash flows from operating activities				
(84,179)	Net operating cost	(79,392)	(61)	(1,780)	(81,233)
2,466	Adjustments for non-cash transactions	3,217	(3)	1,780	4,994
	Add back: interest payable recognised in net operating expenditure	(26)	0	0	(26)
5,103	Movements in working capital	(3,249)	0	0	(3,249)
(76,610)	Net cash outflow from operating activities	(79,450)	(64)	0	(79,514)
	Cash flows from investing activities				
(2,175)	Purchase of property, plant and equipment	(1,062)	0	0	(1,062)
0	Purchase of intangible assets	0	0	0	0
(21)	Investment Additions	0	(581)	0	(581)
171	Proceeds of disposal of property, plant and equipment	184	0	0	184
42	Receipts from sale of investments	0	587	0	587
(1,983)	Net cash outflow from investing activities	(878)	6	0	(872)
	Cash flows from financing activities				
78,589	Funding	80,628	0	0	80,628
(1,876)	Movement in general fund working capital	302	(2)	0	300
76,713	Cash drawn down	80,930	(2)	0	80,928
0	IFRS 16 – 2022/23 cash lease payment	(328)	0	0	(328)
0	Interest paid	34	0	0	34
0	Interest element of leases and on balance sheet PFI/ PPP and Hub contracts	(8)	0	0	(8)
76,713	Net Financing	80,628	(2)	0	80,626
(1,880)	Net Increase / (decrease) in cash and cash equivalents in the period	300	(60)	0	240
2,232	Cash and cash equivalents at the beginning of the period	234	118	0	352
352	Cash and cash equivalents at the end of the period	534	58	0	592
	Reconciliation of net cash flow to movement in net debt/cash				
(1,880)	Increase/(decrease) in cash in year	300	(60)	0	240
2,232	Net debt/cash at 1 April	234	118	0	352
352	Net debt/cash at 31 March	534	58	0	592



Orkney Health Board

DIRECTIONS BY THE SCOTTISH MINISTERS

The Scottish Ministers, in exercise of their functions under section 86(1) and (3) of the National Health Service (Scotland) Act 1978, in relation to the functions of Health Boards in that section which apply to NHS Orkney by virtue of that Act, and all other powers enabling them to do so, hereby DIRECT that:

1. NHS Orkney must prepare a statement of accounts for each financial year in accordance with the accounting principles and disclosure requirements set out in the edition of the Government Financial Reporting Manual which is applicable for the financial year for which the statement of accounts is prepared.
2. In preparing a statement of accounts in accordance with paragraph 1, NHS Orkney must use the NHS Orkney Annual Accounts template which is applicable for the financial year for which the statement of accounts is prepared.
3. In preparing a statement of accounts in accordance with paragraph 1, NHS Orkney must adhere to any supplementary accounting requirements set out in the following documents which are applicable for the financial year for which the statement of accounts is prepared –
 - (a) The NHS Scotland Capital Accounting Manual,
 - (b) The Manual for the Annual Report and Accounts of NHS Boards and for Scottish Financial Returns, and
 - (c) The Scottish Public Finance Manual.
4. A statement of accounts prepared by NHS Orkney in accordance with paragraphs 1, 2 and 3, must give a true and fair view of the income and expenditure and cash flows for that financial year, and of the state of affairs as at the end of the financial year.
5. NHS Orkney must attach these directions as an appendix to the statement of accounts which it prepares for each financial year.
6. In these Directions –

“financial year” has the same meaning as that given by Schedule 1 of the Interpretation Act 1978,

“Government Financial Reporting Manual” means the technical accounting guide for the preparation of financial statements issued by HM Treasury,

“Manual for the Annual Report and Accounts of NHS Boards and for Scottish Financial Returns” means the guidance on preparing annual accounts issued to Health Boards by the Scottish Ministers,

“NHS Act 1978” means the National Health Service (Scotland) Act 1978 (c. 29),

“NHS Scotland Capital Accounting Manual” means the guidance on the application of accounting standards and practice to capital accounting transactions in the NHS issued by the Scottish Ministers,

NHS Orkney is a Health Board established under section 2(1) of the National Health Service (Scotland) Act 1978

“NHS Orkney Annual Accounts template” means the Excel spreadsheet issued to NHS Orkney by the Scottish Ministers as a template for their statement of accounts, and

“Scottish Public Finance Manual” means the guidance on proper handling and reporting of public funds issued by the Scottish Ministers.

7. Any expressions or definitions, where relevant and unless otherwise specified, take the meaning which they have in section 108 of the NHS Act 1978.
8. This Direction will come into force on the day after the day on which it is signed.
9. This Direction will remain in force until such time that it is varied, amended or revoked by a further Direction of the Scottish Ministers under section 86 of the NHS Act 1978.



Signed by the authority of the Scottish Ministers

Dated 22 March 2022